

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

1. Purpose of the report

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

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

2. Recommendations

2.1. It is recommended that the Audit Panel

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

3. Background

- 3.1. Internal Audit is a statutory service that provides management and members with objective assurance on the control environment within the Council.
- 3.2. The internal audit service consists of an in-house team that is supported by external service providers.
- 3.3. The in-house team consists of the Head of Corporate Resources (Head of Internal Audit), the Internal Audit Contract Manager, and three principal auditors.

4. Executive Summary

4.1. Internal audit progress update - 2016/17

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

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

4.2. Limited, No Assurance and Consultancy reports

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

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

4.3. Types of controls / recommendations made

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

4.4. High or Medium recommendations not agreed

All High and Medium recommendations were agreed.

4.5. Follow-up reviews

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

There were no school follow-up reviews completed.

4.6. Management progress against recommendations made

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

4.7. Aged analysis report

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

4.8. Internal Audit Plan for 2017/18

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

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

4.9. Any other business

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

5. **Progress against the audit plan for 2016/17**

Corporate audits

5.1. The table below provides a summary of the status of the corporate part of the internal plan. It shows that 86% of the work is at least to the Terms of Reference (ToR) / Fieldwork stage as at the end of February.

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

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

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

5.3. Detailed below are the final reports issued since the last meeting.

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

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

Additional audits

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

Cancelled audits

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

5.5. School Audits

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

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

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

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

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

6. **Limited , No Assurance and Consultancy reports**

Corporate Audits

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

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

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

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

School Audits

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

7. High or Medium recommendations not agreed

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

8. Follow up reviews

Corporate follow-up reviews

8.1. Corporate audits with High or Medium recommendations are normally followed-up within nine months of the final report. The exception to this are the core financial audits which are followed-up at the next annual audit.

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

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

Implemented	In Progress	Superseded	Not Implemented	Total Recs
9	7	1	4	21
43%	33%	5%	19%	100%

School follow-up reviews

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

9. Management progress against recommendations made

Corporate Recommendations

9.1. The table below shows the status of the High and Medium recommendations as at the 28/02/17 for corporate recommendations.

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

Month of meeting	Current no. of open recs	No. of overdue recs	No. of open recs with 2+ changes	No. of recs that have been re-opened	No of re-occurring core financial rec	Percentage of overdue recs to open
Mar 17	123	26	18	8	9	21%
Dec 16	107	26	18	10	13	24%
Sept 16	139	44	16	11	18	32%
Jun 16	118	37	16	10	11	31%

- 9.3. As well as timeliness, from a control point of view the recommendations internal audit are monitoring closely are the re-occurring ones as these relate to core financial controls and those that need to be re-opened to ensure the business is implementing the action from the recommendations they have agreed to. There were nine open at the end of this period.
- 9.4. To accompany the table above, Appendix 4 lists the audits with recommendations that are either:
- Overdue (due date has passed)
 - Two or more changes have been made to the due date,
 - Re-occurring core financial recommendations, or
 - Recommendations were re-opened at the time of the follow-up
- 9.5. There were four corporate superseded recommendations since the last meeting. Two of these, both in Community Services, have been made without supporting explanation from the responsible manager. This will be reported to ICB and an explanation sought to ensure the risk of not implementing the agreed action has been duly considered and taken by senior management.

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

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

Aged analysis report

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

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

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

School Recommendations

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

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

10. Types of controls / recommendations made

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

- Separation / Segregation of Duties (SoD)

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

11. Internal Audit Plan for 2017/18

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

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

12. Any other business

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

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

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

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

13. Legal implications

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

14. Financial implications

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

15. Equalities implications

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

16. Crime and disorder implications

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

17. Environmental implications

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

18. Background papers

18.1. There are no background papers.

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

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

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

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CF	Housing Benefit and Council Tax Reduction Scheme 16-17						28/02/17	Satisfactory	-	3	-
CF	Main Accounting 16-17						29/12/16	Satisfactory	-	4	1
CF	Payroll 16-17						22/11/16	Substantial	-	1	-
CF	Accounts Payable 16-17										
CF	Banking 16-17										
CF	Budget Monitoring 16-17										
CF	Business Rates 16-17										
CF	Non-Current Assets 16-17										
CF	Payments to Adult Care Providers 16-17										
CF	Accounts Receivable 16-17										
CF	Client Contribution for Care Provision 16-17										
CF	Council Tax 16-17										
CF	Direct Payments 16-17										
CF	Pensions 16-17										

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






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

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L	
CT	Schools' Catering Contract											
CT	Flagship Care Scheme for Older People accommodation											
CT	Mobile Devices (Contract Monitoring)											
CT	Supporting People											
CT	Minor Works Programme (Schools)											
CT	Public Health - Target based payments to GPs											
CT	Pre contract and Tendering											
GN	Better Care Fund						23/01/17	Satisfactory	-	4	1	
GN	Building Control Approval						20/02/17	Satisfactory	2	4	1	
GN	Expenses reimbursed by payroll						30/01/17	Satisfactory	-	4	1	
GN	Financial Regulations / Constitution						14/10/16	Substantial	-	-	3	
GN	Gifts and Hospitality and Declaration of Interests - Officers and Members						28/11/16	Satisfactory	-	3	1	
GN	Licensing						21/09/16	Satisfactory	-	7	7	
GN	Procurement Card Expenditure						12/01/17	Satisfactory	-	7	2	





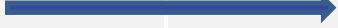
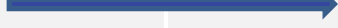

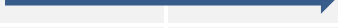
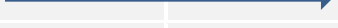










Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L	
GN	Project Management Review Framework and Training							26/01/17	Limited	2	4	-
GN	Risk Maturity Review							28/07/16	Risk Managed	-	6	-
GN	Street Trading (Forecourt)							20/02/17	Satisfactory	-	7	5
GN	Pre-Payment Cards											
GN	Adult Learning Lewisham											
GN	Budget Savings and Decision Making Framework											
GN	House in Multiple Occupation (HMO)											
GN	Lewisham Website and Intranet Content Usability											
GN	Vehicle Fleet - Purchase, Maintenance and Fuel Tank maintenance at Wearside											
GN	Community Budget with Southwark and Lambeth											
GN	Business Continuity Plans for Adult Social Care Providers											
GN	Key Performance Indicators (KPIs) and Departmental Service Plans.											
GN	Monitoring of Child Care Providers											

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

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	No Recourse to Public Funds (NRPF) Case Framework										
GN	Vulnerable Clients Monies - New monitoring process										
GN	Monitoring of Lewisham Homes Management Agreement										
GN	MASH (CYP) New Arrangements										
GN	Safe Guarding and Assurance Adults - Proactive Monitoring of Referrals										
GN	Apprenticeships, Graduates and other Professional Training Schemes										
GN	Blue Badges, Freedom Passes, Discretionary Passes and Taxi cards										
GN	Home Care Provision										
GN	Local Support Scheme										
GT	Troubled Families Programme Grant Submission	Ongoing grant claim verification									

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

School audit	F/w started	Draft Report	Final report	Assurance opinion	H	M	L
Brindishe Green Primary			20/10/16	Substantial	-	3	3
Brindishe Manor			20/10/16	Substantial	-	3	-
Clyde Nursery			25/11/16	Satisfactory	-	8	-
Dalmain Primary			20/01/17	Satisfactory	1	5	-
Deptford Park Primary			21/12/16	Satisfactory	-	6	2
Good Shepherd Catholic School			11/1/16	Substantial	-	3	1
Holy Cross Catholic Primary			07/07/16	Substantial	-	3	2
John Stainer Primary			03/02/17	Satisfactory	-	7	1
Myatt Garden Primary			05/01/17	Substantial	-	4	3
Rangefield Primary			06/2/17	Satisfactory	-	6	12
Rathern Primary			20/01/17	Substantial	-	4	3
Rushey Green Primary			22/07/16	Satisfactory	-	10	5
Sandhurst Infant			28/02/17	Substantial	-	8	7
St Joseph's Catholic Primary			10/02/17	Satisfactory	-	9	8
St Stephen's CE Primary			15/12/16	Satisfactory	-	11	2
Stillness Infant			27/02/17				
Torridon Infant			13/01/17	Satisfactory	-	8	7
St Augustine's Catholic Primary							
Marvels Lane Primary							

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

School audit	F/w started	Draft Report	Final report	Assurance opinion	H	M	L
St Mary's CE Primary							
Horniman Primary							
Lucas Vale Primary							
Sandhurst Junior							
Drumbeat School (Special)							
Stillness Jnr							
Torridon Junior							
Turnham Primary							

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



Executive Summary for PSN – 2016/17

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

Introduction

The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR), which can be found on page 7. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.

Key findings that need attention

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

Follow-up

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

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

Changes to the scope

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

Areas that worked well

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

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

Executive Summary for Project Management Framework – 2016/17



Internal Audit Assurance Opinion	▲ Limited	Risk Headings	H	M	L
★ Substantial ● Satisfactory ▲ Limited ■ No Assurance (See glossary for definitions).		● 1. Project Governance	-	1	-
		▲ 2. Project Execution and Control	1	2	-
		▲ 3. Monitoring and Reporting	1	1	-
		Total	2	4	-

Introduction

The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR), which can be found on page 10. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.

Key findings that need attention

- The Project Management Handbook is not up to date (Also raised in the Regeneration and Capital Programme Development Board 2016/17 audit);
- There were no approved Project Initiation Documents (PIDs) in place for four out of a sample of ten programmes/projects sampled;
- Expenditure codes were assigned to four programmes/projects that did not have approved PIDs in place;
- Risk Registers were not in place for seven out of ten programmes/projects sampled;
- There were only 37 Highlight Reports prepared of a total of 111 required in the period under review (September 2015 – August 2016); and
- Project Closure Reports are not prepared and reviewed as required.

Areas that worked well

- The Project Management Framework is defined;
- The roles of the Regeneration and Capital Programme Development Board (RCPDB), Senior Responsible Officers and Project Managers are defined; and
- Templates for Project Management documentation are available on the RCPDB SharePoint site.

Follow-up

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

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

Changes to the scope

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

Appendix 3 - Follow up results

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

Appendix 4 - Status of Managements' Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Corporate Health and Safety	Satisfactory	23/09/15	1	1			Changed 3 times
Expenses Reimbursement by Payroll 16/17	Satisfactory	30/01/17	1				
Gifts and Hospitality and Declaration of Interests	Satisfactory	28/11/16	3				
Main Accounting 14-15	Satisfactory	18/06/15		1			Changed 6 times
Main Accounting 16-17	Satisfactory	29/12/16				1	
Non-Current Assets 15-16	Satisfactory	20/05/16	1			1	
Payroll 16-17	Substantial	22/11/16	1				
Pensions 2015-16	Satisfactory	01/04/16	1				
Accounts Payable 15-16	No Assurance	11/06/15		2		1	Changed 4 times
Accounts Receivable 15-16	Limited	15/01/16		2		2	Changed 2 and 4 times
Appointeeship and Deputyship 15-16	Satisfactory	07/06/16		2			Changed 2 times

Appendix 4 - Status of Managements' Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
BACS 16-17	Satisfactory	01/11/16		2			Changed 2 times
Client Contributions for Care Provisions 15-16	Limited	01/04/16		2			Changed 2 and 3 times
Housing - Temp Accommodation	Limited	06/06/16		2			Changed 2 times
In-house Bailiff Service	Substantial	01/03/16	1				
ONEOracle ERP System	Satisfactory	22/07/15	2		2		
Public Access to Information	Satisfactory	04/05/16		1			Changed 2 times
Public Sector Network 16-17	Limited	01/02/17	2				
Recycling and Incineration Arrangements - Contract Management	Satisfactory	12/11/15	1	1	1		Changed 2 times
Registrars 15-16	Satisfactory	30/06/16		1			Changed 5 times
SharePoint 14-15	Satisfactory	13/10/15			2		
Virtual Private Network	Satisfactory	31/10/16	1				
Direct Payments 15-16	Satisfactory	24/05/16		1		1	Changed 3 times

Appendix 4 - Status of Managements' Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Domiciliary Care Agencies	Satisfactory	22/02/16			2		
Food Safety, Hygiene and Standards	Satisfactory	27/05/16	1				
Payments to Adult Care Providers 15-16	Limited	27/05/16	2			1	
Public Health - Statutory Services	Satisfactory	31/12/15	1		1		
South London and Maudsley NHS (SLaM)	Satisfactory	14/07/15	1				
Leaving Care 18+	Satisfactory	07/06/16	4				
Payments to Care Providers and Foster Carers 15-16	Satisfactory	27/05/16	2			2	
		Total	26	18	8	9	

Appendix 4 - Status of Managements' Recommendations

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

Appendix 5 - Audit Plan

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

Appendix 5 - Audit Plan

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

Appendix 5 - Audit Plan

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

Appendix 5 - Audit Plan

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

Appendix 5 - Audit Plan

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

Appendix 5 - Audit Plan

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

Appendix 5 - Audit Plan

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

Appendix 5 - Audit Plan

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

Appendix 5 - Audit Plan

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

Appendix 5 - Audit Plan

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