

Committee	Audit Panel	Item No.	6
Report Title	Annual Assurance Report for 2017/18		
Contributors	Head of Corporate Resources		
Class	Information	Date	12 July 2017

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 annual assurance report for 2017-18.

3. Executive summary

Background

- 3.1. This report is made annually by the Council's Head of Internal Audit (the Head of Corporate Resources).

Introduction

- 3.2. The statutory 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 2017-18 is **Satisfactory**. The Schools opinion remains Satisfactory.

Qualifications to the opinion

- 3.4. The qualifications to the report include
- Internal audit resources - due to vacancies in both contractor and in-house team impacted in the delivering the plans.
 - Audit planning / Risk based auditing - timing of information and details on risk registers, and
 - Management engagement – lack of evidence forth coming from management or continued cancellation of meetings.

Summary of work assurance work completed which the opinion is derived

- 3.5. The internal audit plan for 2017-18 initially had 99 pieces of audit work (72 Corporate and 27 Schools reviews), not including follow-up reviews. By the

end of the year the plan had changed to 80 pieces of work (53 Corporate & 27 Schools).

- 3.6. In respect of the corporate audits (including draft reports not finalised at the time of writing the report),
- 1 (2%) - report yet to be issued
 - 5 (9%) - had negative opinions
 - 7 (13%) - were consultancy or grant verifications
 - 40 (76%) - were positive opinions (Substantial or Satisfactory).

Issues relating to the Annual Governance Statement

- 3.7. From the internal audit recommendations in 2017/18 the common or more significant areas noted for improvement were: Budget Monitoring, including establishment; Procurement and Contract Management; Information Technology and Information Security, Oracle Cloud implementation, and Financial Control.

Statement of compliance with the PSIAS

- 3.8. The annual self-assessment of the compliance to the PSIAS, confirms that the service continues to meet the standards. For the period November 2017 to May 2018 the Head of Internal Audit was also acting as the Council's s151 officer. This was discussed with the external auditors and the Audit Panel and compensating controls implemented.

Quality Improvement Plan (QIP) for Internal Audit

- 3.9. An audit management software package was procured during 2017/18, and will go live in 2018/19. The software will result in less duplication of work and a saving on auditor days.
- 3.10. In addition, there is an action tracking module which will automatically remind officers when their actions are due.

Anti-Fraud and Corruption Team (AFACT)

- 3.11. The AFACT team work in 2017/18 focused on the risks of housing fraud and blue badges as well as supporting recruitment checks. The team is also strengthening their work on contract risk.

Risk Management

- 3.12. The risk management strategy was reviewed and adopted by the Audit Panel in 2017/18. The reporting of risk remains aligned from service plans, through Directorate risk registers, to the Corporate risk register. These are reviewed quarterly by the Executive Management Team and Internal Control Board and reported to members in the performance management report. The risks are also reviewed by internal audit to inform their plans.

Other sources of assurance

- 3.13. During 2017/18 a number of other pieces of work are undertaken from which internal audit can take assurance. For example these include: the Ofsted inspection of services to children with complex needs, legal services accreditation to professional standards, and other management checks such

as H&S assurance work and the (Acting) Chief Executive reviews of key service areas.

Role of the Head of Internal Audit

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

4. Background

- 4.1. 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 2017 to March 2018. This opinion and report contributes to the Council's Annual Government Statement (AGS).
- 4.2. The internal audit function is a statutory service. 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".
- 4.3. The Council's Head of Internal Audit is the Head of Corporate Resources. He also has operational responsibility for the in-house Anti-Fraud and Corruption Team (A-FACT), Insurance and Risk Management, Corporate Health & Safety, Commercial and Procurement Support, Strategic Finance, Pension Fund, and Treasury Management. He is also the Deputy Section 151 Officer.
- 4.4. During the transition between Chief Executives during the year, the Head of Corporate Resources took over the Section 151 Officer role, and some of the Executive Director for Resources and Regeneration responsibilities. These additional areas were: Capital programme, Highways and Transports assets, Commercial and Investment Delivery, Property Assets & Estates, and Estates Contract and Compliance. This was flagged to the external auditors and Audit Panel in advance and compensating controls put in place.

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 2017/18.
- 6.3. In my opinion, '**Satisfactory**' assurance can be placed on the adequacy and effectiveness of Council's corporate internal controls framework in place. In addition, '**Satisfactory**' assurance can be placed on the Schools internal controls framework".
- 6.4. 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.
- 6.5. I was part of the Annual Governance Statement (AGS) working party through 2017/18. The working party comprises a group of senior officers, chaired by the Head of Law, responsible for preparing and reviewing the Council's AGS.
- 6.6. The AGS has been updated and actions reported to the Internal Control Board 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. During 2017/18, resources have been an issue for both the in-house team and the internal audit contractor due to higher than expected staff turnover, impacting delivery of the plan with some (non core) audits either started late, cancelled, or deferred to the 2018/19 audit plan. These were reported to the Audit Panel through the year.

Audit Planning / Risk Based Auditing

- 7.2. Internal audit is required to create a risk based audit plan. Wherever possible, the audits are based on the controls noted in the directorate and corporate risk registers but these are not the only source of intelligence relied on. Other sources include:
- 7.3. Head of Audit and / or the Internal Audit Manager meetings with Heads of Service to discuss their service. These meetings are used to confirm current areas of work, any potential emerging (or decreasing) risks, major changes to IT software, planned changes to processes, or any other concerns that management may have.
- 7.4. Internal audit review service and project plans for additional information or detail on changes, and their risks for the year ahead. However, the value is diluted as these are often finalised after the draft audit plan is completed in

March. For example; the sign off for service plans for 2018/19 plans was not until April/May.

- 7.5. For this reason and that change is always happening, the internal audit plan is regarded as a dynamic plan. Additions, variations, or deletions to the plan are made through the year. These are reported to Audit Panel quarterly.

Management engagement

- 7.6. During the year management engagement has seen an increase in the number of long dated (over a year) actions in response to recommendations. This suggests services are not always able to respond promptly to control risks in their processes. Also, some projects such as Oracle Cloud, where internal audit were offering to provide input in the development phases, have incurred delays. This has limited the value audit has been able to contribute on proposed process and system control changes. This resulted in the one No Assurance opinion for 2017/18 as internal audit were unable to test all the areas as required or comment on the planned controls.

8. Summary of assurance work from which opinion is derived

Delivery of the Audit Plan - Corporate

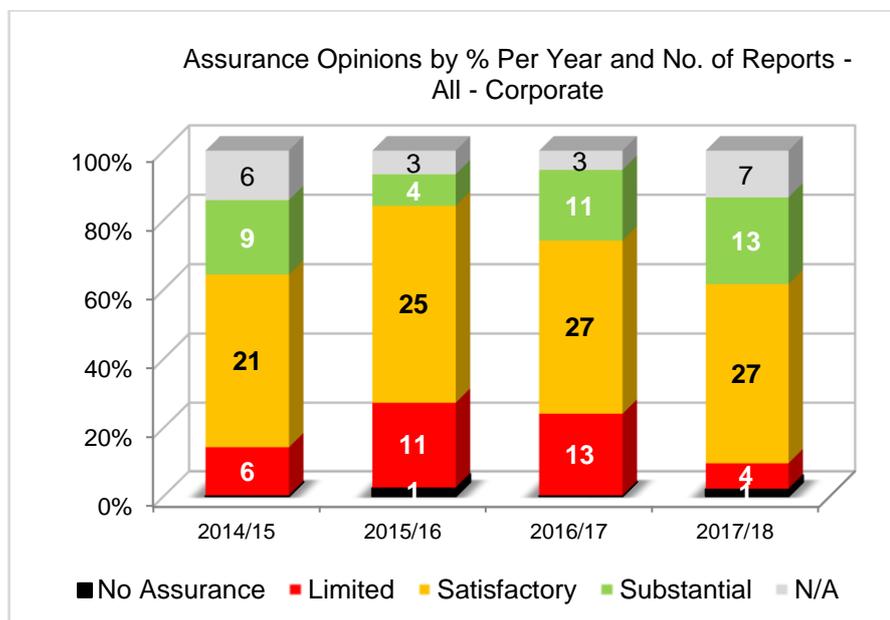
- 8.1. The corporate audit plan for 2017/18, initially had 72 pieces of work at the beginning of the year. This reduced down to 53.
- 8.2. The changes to the plan during the year were as follows:
- 8.3. Additional / brought forward audits
- LGA Graduate Training Scheme
 - Blue Badges
 - Service Plans
 - Monitoring of Child Care Providers
 - Monitoring of Lewisham. Homes
 - Multi Agency Safeguarding Hub (MASH) for Children
 - Pre Contract and Tendering.
- 8.4. Deferred to 18/19
- Multi Agency Safeguarding Hub (MASH) for Adults
 - Recruitment Process
 - SEN Process
 - Rogue Landlords
 - Disability Facilities Grant (DFG)
 - Hand over from Hospital Discharge Neighbourhood team
 - Homecare Service
 - OracleCloud – HR
 - OracleCloud – Payroll
 - ASH Debt Recovery System

8.5. Audits no longer required

- Deptford Reach Project – no longer project
- Community buildings Maintenance – Scope covered elsewhere
- New Casework System – no yet implemented
- Community Health Care Pathway – Completed by 3rd Party
- Decant Process – no longer required
- Section 47 Referrals and Data Quality – potentially covered elsewhere in 18/19
- Children Looked After and Achieving Permanence – part of CYP rolling plan – to be revised
- Children who need help and protection - – part of CYP rolling plan – to be revised
- Early Years – part of CYP rolling plan – to be revised

8.6. All corporate report opinions

The graph below (no.1), represents the percentage of audit assurance opinions (with the number of reports issued), for all corporate audits issued. The definitions of assurance opinions are Substantial, Satisfactory, Limited, and No Assurance – can be found at Appendix 4. N/A is for non-assurance work such as grant returns or consultancy reviews.



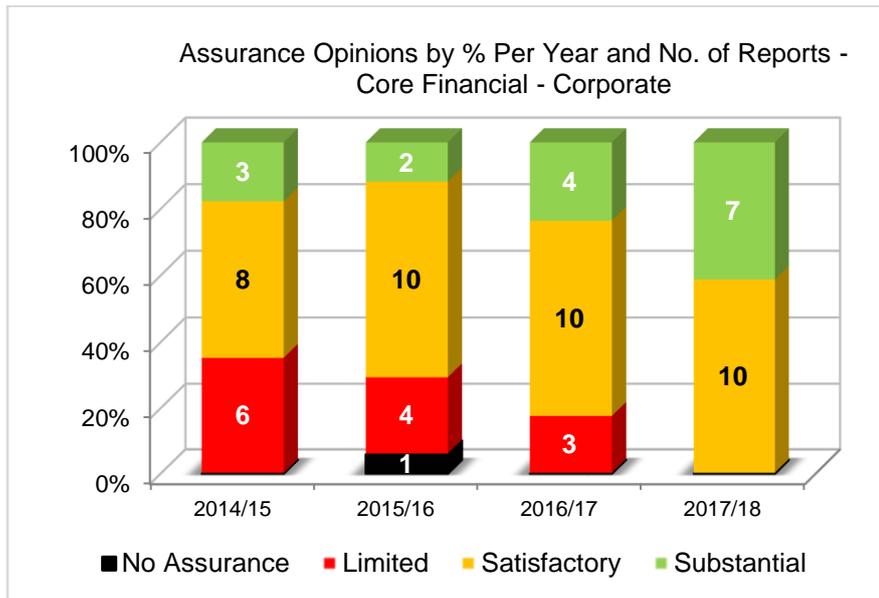
Graph 1

- 8.7. While small number of reports are at draft report stage, the audit assurance opinions from these reports are included in the chart, and throughout the report. It is not expected that on completion of these reports, that there will be any changes to the assurance opinion of these draft report.
- 8.8. The results of the corporate internal audit work for 2017/18 has seen the number of negative (Limited and No Assurance) assurance reports decrease from 13 to five. The number of negative reports are back in line with the

outcomes of 2014/15. The number of positive opinion reports are much the same as last year.

Core financial reports – opinions

- 8.9. Core financial are the key financial processes and systems within the Council. They are all currently audited on an annual basis and in 2017/18 were completed by Mazars, the Council’s internal audit contractor.
- 8.10. The graph below (No.2), shows there were no negative audit opinions for core financial in 2017/18. The trend of having less negative assurance opinions is continuing.



Graph 2

Core financial audits – Direction of Travel

- 8.11. The table below shows a comparison of the assurance opinions for the last three years for the core financial audits.
- 8.12. There was one audit that had a lower opinion than last year, but was still received a positive opinion. Seven of the audits had an improved opinion, with three going from negative to positive.

Key

SUB	Substantial	SAT	Satisfactory	LTD	Limited	NAS	No Assurance
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↗	Improved since last year	↔	Same as previous year	↘	Deteriorated since last year
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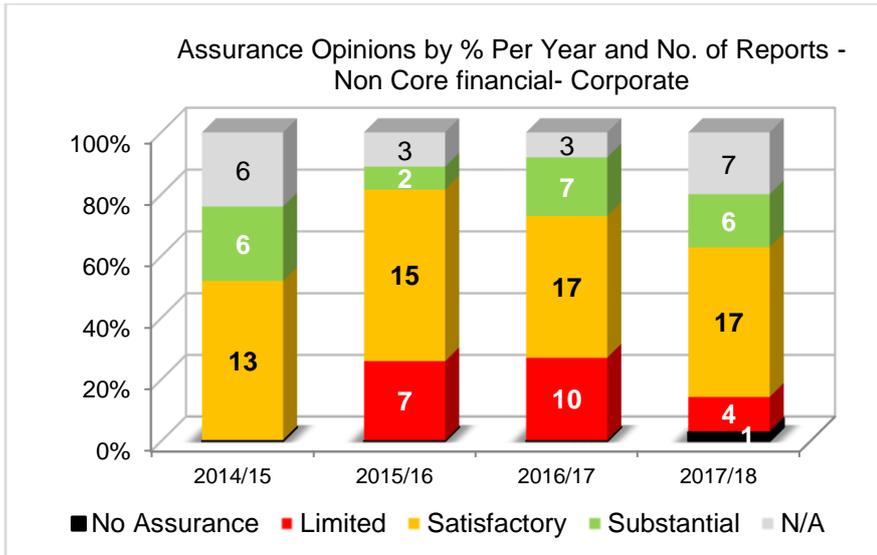
Core financial system	15/16	16/17	17/18	DoT
1. Payroll	SUB	SUB	SUB	↔

Core financial system	15/16	16/17	17/18	DoT
2. Treasury management	SUB	SUB	SUB	↔
3. Council tax	SAT	SAT	SUB	↗
4. Non-current (fixed) assets	SAT	SAT	SUB	↗
5. Housing benefit and CTRS	SAT	SAT	SUB	↗
6. Client contributions for residential & domiciliary care	LTD	SAT	SUB	↗
7. Business rates (NNDR)	SAT	SUB	SUB	↔
8. Budget setting and monitoring	SAT	SUB*	SAT	↘
9. Capital programme and expenditure	SAT	SAT	SAT	↔
10. Main accounting	SAT	SAT	SAT	↔
11. Pensions	SAT	SAT	SAT	↔
12. Payment for Child Care Providers	SAT	SAT	SAT	↔
13. Accounts payable	NAS	LTD	SAT	↗
14. Accounts receivable	LTD	LTD	SAT	↗
15. Banking	LTD	LTD	SAT	↗
16. Direct payments	SAT	SAT	SAT	↔
17. Payments to Adult care providers	LTD	SAT	SAT	↔

* Incorrectly recorded as SAT last year

8.13. Non-Core financial corporate reports

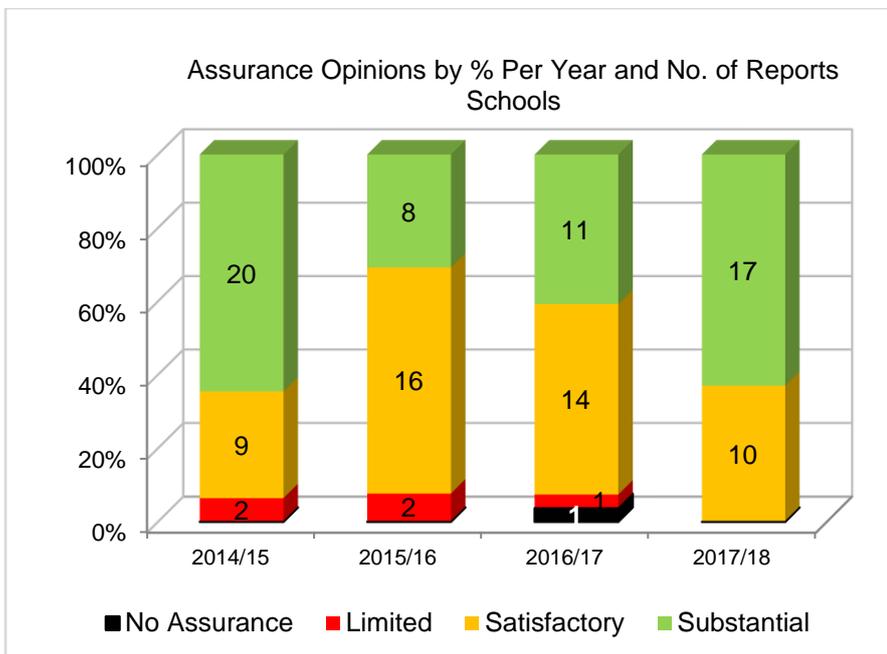
The graph below (no.3), shows an overall decrease in the number of negative opinion reports issued this year, compared to the previous two years.



Graph 3

8.14. Delivery of the Schools Audit Plan

All of the 27 schools in the original school plan were completed and finalised. The graph below (no.4) shows the school assurance opinions for the last four years by percentage (and number of reports). This is the first year where no 'Limited' / 'No Assurance' reports issued. In addition, the number of substantial opinion audits issues has also increased.

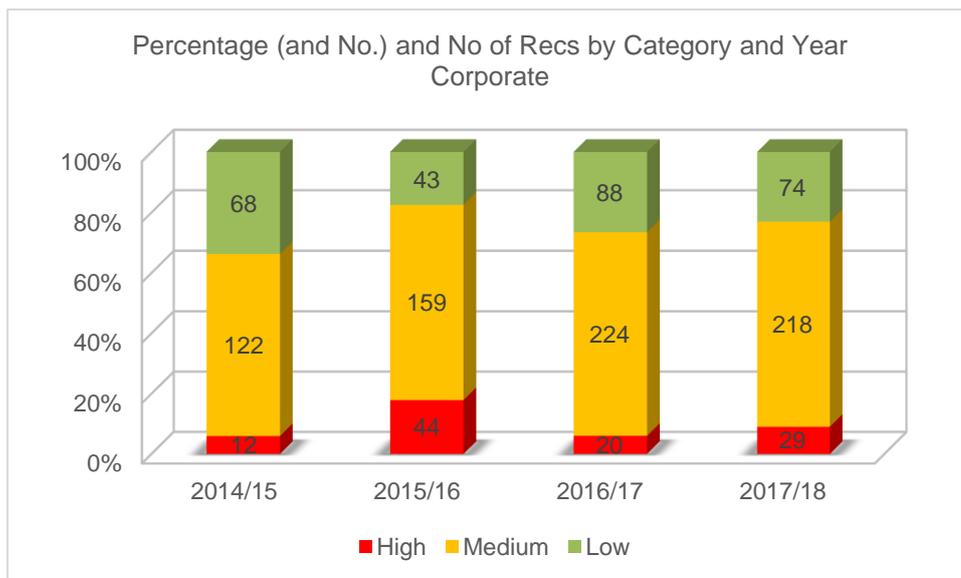


Graph 4

8.15. The results of schools audits are reported to the Audit Panel throughout the year. The annual School Forum report, which details the school audits throughout the year, is presented to the School Forum and to the Audit Panel at the end of the financial year.

Corporate Recommendations

- 8.16. When internal audit make recommendations to management, they are categorised as 'High', 'Medium' or 'Low'. Definitions of these categories are provided at Appendix 4.
- 8.17. Officers are responsible for updating the progress on implementation of their Corporate High and Medium recommendations to an internal SharePoint site.
- 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 reopened at a follow-up review;
 - No. of recommendations reoccurring, and
 - An aged analysis report (the time a recommendation is taking to implement).
- 8.19. The graph below presents the percentage (and number) of recommendations made by category for all 2017/18 corporate internal audits. It shows that that the number and percentage remain much the same as 2016/17.

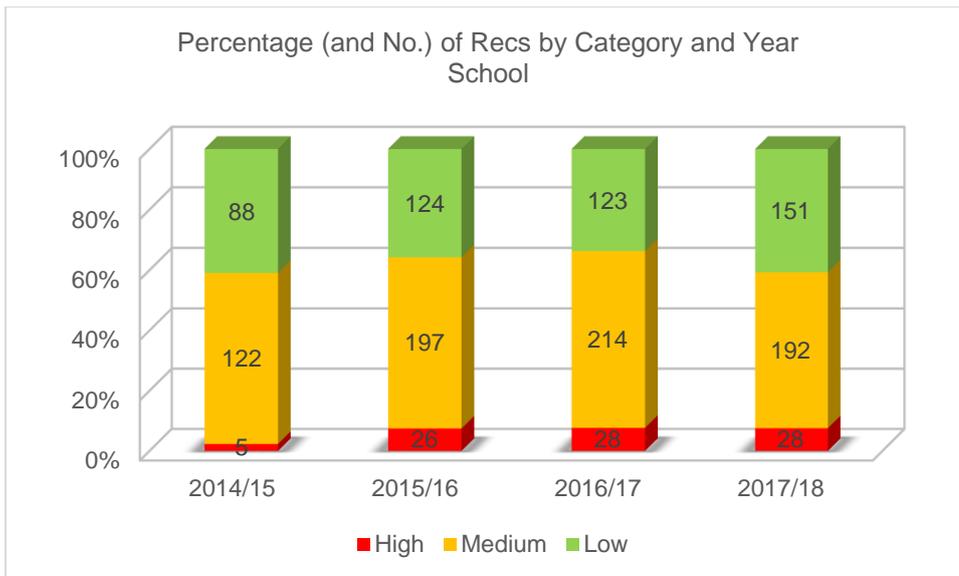


8.20.

Graph 5

Schools

- 8.21. Schools are unable to use the internal SharePoint site for reporting on completion of their actions and have to provide updates manually to the Children and Young People (CYP) directorate.
- 8.22. The graph below (no.6), details the number and percentage of recommendations made throughout the year. It shows the number of High recommendation remain the same as last year. There was a slight decrease in medium recommendations made, while the number of low recommendations made has increased.



Graph 6

Follow-up reviews

- 8.23. Since 2017/18, internal audit started to conduct a formal follow-up on corporate audits with a negative assurance opinion, or a consultancy reviews.
- 8.24. Schools continue to only have follow up reviews where there is a negative opinion. Only the High and Medium recommendations made are followed up in all reviews.

Corporate follow-up reviews

- 8.25. There were 12 corporate reports followed up. Internal Audit reports the outcome of these reviews to the Audit Panel and the Internal Control Board (ICB) every quarter. A list of follow-up reviews conducted can be found in Appendix 2
- 8.26. Of the corporate reviews conducted, internal audit found that out of the 92 recommendations reviewed,
- 37 (40%) recommendations were implemented
 - 31 (34%) were in progress, and
 - 24 (26%) were not implemented.

School follow-up reviews

- 8.27. There was one school follow up conducted. It showed that out of the 33 recommendations reviewed:
- 9 (27%) recommendations were implemented
 - 18 (55%) were in progress, and
 - 6 (18%) were not implemented.

Anti-Fraud and Corruption Team (AFACT)

- 8.28. 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.
- 8.29. 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.
- 8.30. The number and nature of investigations concluded in the year and actions taken are reported to the ICB and Audit Panel annually. The annual A-FACT report is at appendix 5.

Risk Management

- 8.31. Corporate Resources is responsible for ensuring the Council has an effective risk management strategy and policy in place. These were updated in 2017/18 and approved by the Audit Panel. 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.
- 8.32. In addition to the risk registers for management purposes, the Mayor and Cabinet and Members are appraised on risk management via the quarterly management report which clearly maps risks to the Council's priorities and provides a narrative on changes to existing or emerging key risks.
- 8.33. Through the actions noted 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. The risk management internal audit for 2017/18 received a Satisfactory assurance opinion.

Other sources of assurance

- 8.34. 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:
- 8.35. Internally service planning, performance reporting and financial monitoring are tools available to management.
- 8.36. In addition the level (number and seriousness) of H&S incidents reported and insurance claims made are monitored through the year. The Council also recognises that support to employees (communication, training, monitoring and challenge) around key corporate policies and processes is key to effective control and the efficient running of the organisation.

- 8.37. Externally inspections and accreditation reviews and statutory transparency reporting requirements are helpful measures to assess the effectiveness of service practice and performance. For example the annual legal services accreditation or the Ofsted inspection of children with complex needs.

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

- 9.1. From a review of the internal audit recommendations made in 2017/18 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.

Budget Monitoring

- 9.2. Public sector austerity continues to impact all areas of the Council's work as services seek to do more for less for the eighth year in a row. And forecasts suggest this is likely to continue into the 2020s. Financial constraints are putting significant strain on services to adjust their spending and control arrangements to maintain good practice but in a manner proportionate to their changing priorities and available budget.
- 9.3. This was evidenced through: a number of overspending services; controls being done less frequently/missed; timely review and approval of budgets being delayed; system and procedure arrangements not keeping pace with changing business processes; and corporate processes (e.g. HR, Finance, performance, etc..) not always complied with.

Procurement and Contract Management

- 9.4. Contract management is still weak in some areas and the council needs a more consistent approach. Additional senior resource has been recruited in 2017/18 to help drive this challenge and more effective practices.
- 9.5. Procurement arrangements continue to improve but with improvements still required. This is part of a stronger commercial and procurement focus to be reviewed in 2018/19 to ensure progress is sustained.

Information Technology and Information Security.

- 9.6. During the latter part of the year, there were recurring issues with slowness of core applications / software, and more than usual downtime with a number of service outages. There have also been delays to a number of core IT projects and system improvement projects as part of the transformation programme.
- 9.7. Without the right tools for the job (or having them consistently), there is risk that officers find work-arounds that are inefficient and potentially insecure. The new requirements in 2018/19 of the GDPR legislation increase this risk.

Oracle Cloud implementation (Finance System)

- 9.8. The Council is implementing a new finance system (OracleCloud) which is not just a finance system but a full Enterprise Resource Planning (ERP), including HR and Payroll functions.
- 9.9. Internal audit worked on the development phases of the project in an advisory capacity to support the effective design of controls in the 'to be' processes.

However, the project was delayed and went live without there being time to do this work. For this reason and given the project risk, the internal audit work was concluded based on incomplete testing with a No Assurance opinion.

Financial control

- 9.10. While none of the core financial audits had a negative opinion this year, the main issues (suspense accounts, reconciliations, and budget monitoring) still remain, but are improving. However, with a significant and increasing number of re-occurring recommendations. It is anticipated that the OracleCloud system will replace and improve a number of controls.
- 9.11. As the Oracle Cloud and ASH debt management projects won't be fully implemented until 2018/19, some risks / processes continues to rely on manual workarounds and potentially impact the accuracy of financial monitoring information.

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

- 10.1. A self-assessment against the standards is required annually, and an external independent review of the internal audit service at least every five years. The next independent review is due in 2020/21.
- 10.2. The self-assessment for 2017/18 remains compliant the PSIAS. However, there are those areas where they will continue to be only partially met, rather than fully met. They are:
 - Independence of the HIA
 - Conducting Reviews where HIA has operational responsibilities
- 10.3. These issues are common among Local Authorities. As previously reported, the service has recognised the risk and put in place mitigations by giving the Internal Audit Manager unfettered access to the Chief Executive and the Chair of the Audit Panel for areas managed by the Head of Corporate Resources. This is detailed in the Audit Charter for details.

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

- 11.1. The Internal Audit Service focus for 2018/19 is to continue to progress the strategy to strengthen the in-house team and use contractors for specialist pieces of work.
- 11.2. To help strengthen the in-house team, an audit management software package was procured, and will go live in 2018/19. The software will result in less duplication of work, saving on auditor days. It is also anticipated that the new OracleCloud system will facilitate better and more effective sample selection to support management and internal audit real time monitoring.

- 11.3. In addition, there is an action tracking module which will automatically remind officers when their actions are due. It will also enable schools' to update their actions directly, rather than rely on officers to manually chase and update.

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" states 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;
- 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. 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 Implication

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

16. Crime and Disorder Implications

- 16.1. There are no specific 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. 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 2016/17

Corporate Audits

Auditable Area	Assurance Level Given	H	M	L	Risk Headings / Area Tested During the Review	Date of final Report
Oracle Cloud	No Assurance	2	1	1	Data migration, Roles and responsibilities, Issues management, User Acceptance Testing, 3 rd party assurance and IT Application Controls	DRAFT
Catford Regeneration Partnership Ltd	Limited	2	3	1	Governance and Accountability	17/05/18
Health Visiting	Limited	4	5	-	Contract formalities, Contract monitoring and management reports, and payments	29/05/18
Monitoring of Child Care Providers	Limited	2	5	-	Contract and contract variations, and Contract monitoring and management reporting.	17/10/17
Pre Contract and Tendering	Limited	5	4	-	Pre-procurement arrangements, Evaluation of Tenders, and Contract Award and Notification of Bidders	24/11/17
Accounts Payable 16/17 (Core Financial Audit)	Satisfactory	1	2	3	Set up of new suppliers, Payments, Reconciliations, and Performance Indicators	19/04/18
Accounts Receivable 17/18 (Core Financial Audit)	Satisfactory	-	6	3	Completeness of income, Documentation and Authorisation, Income recording and Debt Recovery	19/06/18
Adoption Process	Satisfactory	-	8	-	Approval of Adoptive Parents, Adoption process and Data security	DRAFT
AIMS Applications	Satisfactory	2	2	1	User Access and Interfaces and Processes	19/01/18
Banking 17/18 (Core Financial Audit)	Satisfactory	3	1	1	Payments, Cheque printing and security, Feeder systems (access) and Reconciliations	22/03/18
Budget Setting and Monitoring 17/18 (Core Financial Audit)	Satisfactory	5	4	1	Budget Setting, Loading and Virements, Budgetary Controls, and Management Reporting	24/11/17

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2016/17

Auditable Area	Assurance Level Given	H	M	L	Risk Headings / Area Tested During the Review	Date of final Report
Capital Expenditure 17/18 (Core Financial Audit)	Satisfactory	-	3	2	Project Governance and Management, Payments, and Programme Budget and Expenditure Monitoring	10/01/18
ContROCC	Satisfactory	-	4	-	User Access Security, User Permissions (Segregation), Interfaces, Data input & output and Backup and Recover.	17/05/18
Direct Payments 17/18 (Core Financial Audit)	Satisfactory	-	5	1	Assessment and Payments, Utilisation Monitoring, and Budget Monitoring	22/03/18
Facilities Management - Contract Monitoring	Satisfactory	-	8	3	Contract Monitoring and Management	10/10/17
Freedom of Information and Data Protection Acts 17-18	Satisfactory	-	7	-	Adherence to policies, procedures, statutory and local requirements	06/02/18
Garden Waste Service	Satisfactory	1	7	5	Processing Applications, Waste Collection Service, Income Collection, and Dispute resolution.	05/01/18
Homelessness Applicants	Satisfactory	-	6	2	Decision Making Framework and Evidence	27/11/17
IR35 - Off Payroll Engagement	Satisfactory	-	2	1	Compliance with IR35 Legislation	09/11/17
Main Accounting 17/18 (Core Financial Audit)	Satisfactory	1	3	2	Financial Systems Administration, Feeder Systems, Journals and Reconciliations and Final Accounts	06/02/18
Monitoring of Lewisham Homes Management Agreement	Satisfactory	-	4	1	Contract Monitoring and Reporting	24/11/17
Main Grant Programme	Satisfactory	-	7	4	Bid Submissions, Grant Awards and Payments, and Monitoring and Reporting	28/06/18
Parking Contract	Satisfactory	1	4	3	Contract Monitoring and Performance Payments	27/11/17
Partnership Management - Libraries	Satisfactory	1	3	1	Monitoring new owners / responsible group for running the libraries	25/09/17

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2016/17

Auditable Area	Assurance Level Given	H	M	L	Risk Headings / Area Tested During the Review	Date of final Report
Payment to Adult Care Providers 17/18 (Core Financial Audit)	Satisfactory	-	8	1	DPA and Statutory Requirements, Set up of provider payments, Payments, Budgetary Control	27/04/18
Payments to Child Care Providers and Foster Carers 17/18 (Core Financial Audit)	Satisfactory	1	2	4	Payments, Budgetary Control, Exception Reporting	19/01/18
Pensions 17/18 (Core Financial Audit)	Satisfactory	-	10	1	Governance Arrangements, Contributions and Payables, Investments and Management Fees and Reconciliation	15/01/18
Procurement Cards 2017/18	Satisfactory	-	5	-	Card Administration and Procurement Card Expenditure	30/04/18
Reed Agency	Satisfactory	2	5	-	Approval and Payments, Clearance and Compliance and Contract Monitoring	26/06/18
Risk Framework	Satisfactory	-	7	2	Risk Policy & Strategy, Risk Identification and Evaluation process, and Risk Monitoring and Reporting	04/06/18
Small and Faith Fund Grants	Satisfactory	-	5	3	Bid Submissions, Grant Awards and Payments, and Monitoring and Reporting	28/06/18
Synergy Application	Satisfactory	1	3	-	Logic Security & User Access, Interfaces Management, Backup and Recovery and Data Quality	19/06/18
Adult Social Care Peer Review Action Plan	Substantial	-	2	4	Progress, Timescales and Evidence, and Monitoring and Updates	26/09/17
Business Rates (NNDR) 17/18 (Core Financial Audit)	Substantial	-	-	1	Setting of the Business rates, Billing, Liabilities, Discounts, Reliefs and Collection Recovery and Enforcement	13/03/18
Client Contributions for Care Provision 17/18 (Core Financial Audit)	Substantial	-	2		Eligibility and Financial Assessments, Recovery of Client contributions and Deferred Contribution Scheme	20/02/18

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Auditable Area	Assurance Level Given	H	M	L	Risk Headings / Area Tested During the Review	Date of final Report
Concessionary Passes	Substantial	-	1	1	Monitoring of Blue Badges, Passes and Cards.	26/10/17
Council Tax 17/18 (Core Financial Audit)	Substantial	-	2	-	Setting of the Council Tax, Billing inc, Write offs, Refunds, Discounts, Reductions, Disregards and Liabilities, Valuation Office List and Data Protection	06/03/18
Governor Services	Substantial	-	1	-	Legislative, Organisational and Management Requirements, Service Level Agreements, Clerking, Training, Advice and Guidance, and Training, Advice and Guidance	05/06/18
Housing Benefit and Council Tax Reduction Scheme 17/18 (Core Financial Audit)	Substantial	-	1	1	Applications, Payments, Overpayment, Debt Recovery, System Reconciliation and Exception Reporting	28/02/18
IT Helpdesk	Substantial	-	3	2	Roles and Responsibilities, Registration of service calls and measurement of response and support	18/05/18
LGA Graduate Scheme	Substantial	-	2	1	Aims and Objectives, and Payments and Budgetary Controls	18/07/17
Non-Current Assets 17/18 (Core Financial Audit)	Substantial	-	1	1	Asset Management, Transfer of assets, and Reconciliation	05/03/18
Passenger Services	Substantial	-	1	-	Regulatory, Organisations and management responses, Vehicles, Drivers, Route Management and Income	18/05/18
Payroll 17/18 (Core Financial Audit)	Substantial	-	2	3	Starters and Leavers, Benefits, Deductions, Amendments and Payments	05/12/17
Treasury Management 17/18 (Core Financial Audit)	Substantial	-	2	-	Cash Flow Forecasting, Investments and Loans Recording, Unauthorised Access and Performance Monitoring and Reporting	06/12/17
GDPR Readiness	Consultancy	-	10	-	Compliance with GDPR	19/04/18

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2016/17

Auditable Area	Assurance Level Given	H	M	L	Risk Headings / Area Tested During the Review	Date of final Report
Multi-Agency Safeguarding Hub (CYP) Arrangements	Consultancy	1	7	3	Front Door (MASH), Placements, Contracts, and Performance	28/09/17
Performance Management and Service Planning	Consultancy	-	8	1	Performance Management Service Plans	21/07/17
Youth Offending Services	Consultancy	-	9	-	Service Improvement	06/02/18
Initial Contact, Information and Advice	Consultancy	-	5	2	Review of the Social Care Access Information Team	29/05/2018
Procurement Arrangements	Consultancy	2	5	3	Compliance with Council Requirements and Legislation, Value for Money and Procurement Activities	DRAFT
Troubled Families Programme – Claim Submissions (Phase 2 claims for year 2017-18)	Certifying Claim - No Issues				DCLG require internal audit to sample check the grant claim	n/a

School Audits

Lead Dir.	School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
SCH	All Saints Primary School	Substantial	-	3	11	Procurement, Income, Assets, Governance, Budget Monitoring, Banking, Payroll, Recruitment and Data Security.	06/03/18
SCH	Brindishe Lee Primary School	Substantial	-	6	7	As above	30/04/18

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2016/17

Lead Dir.	School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
SCH	Childeric Primary School	Substantial	-	3	8	As above	24/07/17
SCH	Eliot Bank Primary School	Substantial	-	-	2	As above	20/12/17
SCH	Gordonbrock Primary School	Substantial	-	1	1	As above	09/02/18
SCH	Greenvale Special School	Substantial	-	5	10	As above	10/10/17
SCH	Grinling Gibbons Primary School	Substantial	-	1	1	As above	19/04/18
SCH	Haseltine Primary School	Substantial	-	4	3	As above	28/09/17
SCH	Kelvin Grove Primary School	Substantial	-	8	4	As above	22/11/17
SCH	New Woodlands Special School	Substantial	-	3	2	As above	19/04/18
SCH	Perrymount Primary School	Substantial	-	7	6	As above	12/09/17
SCH	Sir Francis Drake Primary School	Substantial	-	9	6	As above	22/05/18
SCH	St Bartholomew's CE Primary School	Substantial	-	5	3	As above	19/04/18
SCH	St George's C of E Primary School	Substantial	-	1	2	As above	08/03/18
SCH	St John the Baptist	Substantial	-	5	3	As above	19/10/17
SCH	St Winifred's Catholic Primary School	Substantial	-	4	1	As above	02/05/18
SCH	St William of York Primary School	Substantial	-	6	1	As above	07/03/18
SCH	Baring Primary School	Satisfactory	3	11	3	As above	13/06/18

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2016/17

Lead Dir.	School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
SCH	Beecroft Garden Primary School	Satisfactory	-	16	4	As above	14/05/18
SCH	Brent Knoll School	Satisfactory	-	15	10	As above	25/01/18
SCH	Coopers Lane Primary School	Satisfactory	-	10	9	As above	14/03/18
SCH	Downderry Primary School	Satisfactory	-	9	7	As above	26/07/17
SCH	Elfrida Primary School	Satisfactory	-	12	6	As above	06/03/18
SCH	Holy Trinity CE Primary School	Satisfactory	-	9	11	As above	06/12/17
SCH	John Ball Primary School	Satisfactory	-	9	9	As above	26/09/17
SCH	St James Hatcham CE Primary School	Satisfactory	-	18	10	As above	01/05/18
SCH	St Saviour's RC Primary School	Satisfactory	-	12	10	As above	19/12/17

Appendix 2 – Follow up Review Conducted in 2017/18

Lead Dir.	Audit Followed –Up	Original Opinion	Original Final Rpt Date	Follow-up Rpt Date	Implem-ented	In Progress	Not Implem-ented	Total
RRE	Prepaid Cards	Limited	17/03/17	05/10/17	-	3	5	8
RRE	Schools' Minor Works Programme	Limited	20/06/17	04/01/18	5	2	-	7
CUS	Accounts Payable 16-17	Limited	16/03/17	24/11/17	6	4	4	14
CUS	Accounts Receivable 16-17	Limited	18/05/17	17/01/18	2	5	2	9
CUS	Banking 16-17	Limited	18/05/17	06/02/18	4	3	2	9
CUS	Adult Social Care IT Backup and BCP	Limited	04/06/16	16/10/17	1	-	2	3
CUS	ICT Governance	Limited	11/04/17	11/01/18	7	-	-	7
CUS	Public Sector Network	Limited	01/02/17	17/01/18	1	1	-	2
COM	Safe Guarding - Section 42 Referrals	Limited	03/07/17	13/02/18	1	5	4	10
CYP	School Catering – Contract Monitoring	Limited	03/03/17	09/02/18	7	3	2	12
COM	Food Hygiene Safety and Standards	Satisfactory	27/05/16	30/10/17	1	4	-	5
CYP	Processes for Payment to Main Child Care Providers	Consultancy	14/06/16	30/10/17	2	1	3	6

Schools

Appendix 2 – Follow up Review Conducted in 2017/18

Lead Dir.	Audit Followed –Up	Original Opinion	Original Final Rpt Date	Follow-up Rpt Date	Imple-mented	In Progress	Not Imple-mented	Total
SCH	Turnham Primary School	None	04/07/17	22/01/18	9	18	6	33
SCH								

Appendix 3 – Assurance Opinions Definitions

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.

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE	
Key Decision	NO	Item No.
Ward	ALL	
Contributors	Head of Corporate Resources A-FACT Group Manager	
Class		Date: July 2018

1. Purpose of the Report

- 1.1. The purpose of this report is to present the Audit Panel with a review of the work of the Anti-Fraud and Corruption Team (A-FACT) for 2017-18.

2. Executive Summary

- 2.1. There are no major changes to report. The detail is provided in the body of the report for which the highlights are:

- There has been an increase in the number of employee related cases compared to last year. It was thought that last year's reduction was due to a smaller workforce so it is unclear at present what has caused the doubling of cases. It should be noted that the figures are still statistically low.
- The seconded Police Officer in the team has been pulled back by the Metropolitan Police. As a result the team no longer has an arrest capacity or an Accredited Financial Investigator. Whilst alternative arrangements have been made on a case by case basis it is reliant on goodwill and other organisations resources.
- A lack of experienced investigators has resulted in the team carrying vacancies. A proposal for a trainee role is being developed to address this.

3. Recommendations

- 3.1. It is recommended that the Internal Control Board note this report for information.

4. Special Investigations

- 4.1. Details of work and comparative figures for the same period in the prior year are shown below, along with the previous two years full year figures for reference

Appendix 4 – A-FACT annual report to Audit Panel

Summary of Special Investigations work	2017/18	2016/17	Change		2015/16	2014/15
	FY	FY	Number	%	FY	FY
b/f	24	8	16		45	30
New	141	130	11	8%	102	97
Closed	148	114	34		136	82
c/f	17	24	-7	-29%	11	45
Of which						
E'ee cases	15	13	2	15%	17	19
- resulting in action	10	6	4	67%	10	10
Other cases	133	101	32	32%	119	63
- resulting in action	96	53	43	81%	27	31

Employee Related cases

4.2 Of the 146 cases closed this year 15 related to employees and 10 of those resulted in action. These cases are included in the year to date figures shown below.

Analysis of employee fraud	2017/18	2016/17	Change		2015/16	2014/15
	FY	FY	Number	%	FY	FY
Dismissed/resigned & Convicted	2	0	2	100%	0	0
Convicted & recommended disc. Action	0	0	0	0%	2	2
Resigned/Dismissed incl agency staff	2	0	2	0%	1	1
Other disciplinary (incl not employed)	3	1	2	200%	2	2
Monies repaid or Goods returned	2	1	1	100%	2	2
Management action incl process review	1	2	-1	-50%	2	2
Identity or other issue cleared	0	1	-1	0%	1	1
Total	10	5	5	100%	10	10

4.3 The number of staff related cases requiring action has doubled in the last year (although back to a similar level to previous years). Two of these cases involved staff exploiting weaknesses in controls, one to make erroneous payments and one to retain equipment that had not been recorded as allocated to them. There have also been two cases where significant discrepancies have been identified during the recruitment processes,

Appendix 4 – A-FACT annual report to Audit Panel

one relating to employment history, the other the applicants evasion of Council Tax and non-payment of overpaid benefits facilitated by their changing name.

- 4.4 “Other Cases” include applications for support by those who have No Recourse to Public Funds, Blue Badge fraud, Council Tax fraud and reviews of operational processes to prevent or deter fraud. The actions taken are summarised in the table below. A big part of the rise in cases reflects the focused work done on Blue Badges in the year.

Analysis of Non Employee Cases 2017/18 FY	Total Cases	Fraud Proven/ Process review	Evidence provided to assist assessment/ Fraud Alert	Info verified/ Occ Check	Req for info	Passed to another dept	NFA
NRPF	11		3	7			1
Blue Badge	31	19					12
Identity or address verification	9		6	1			2
Applications for support	8	1	6	1			
Direct Payments for Care	6			4		1	1
Spec Invest Other cases	68	5	3	1	37		20
Total	133	27	18	14	37	1	36

- 4.5 Included in the fraud proven/process review total of 25 are 19 Blue Badge cases, as well as a false application for financial support for a family, four mandate frauds, a fraudulent application for Council Tax Reduction Scheme (CTRS) valued at £3.5k, misleading information being stated regarding companies tendering for work, and £17k being recovered from an erroneous payment.
- 4.6 A-FACT are undertaking more checks for other services across the council to confirm identity, address history and/or circumstances as part of an assessment of a claim for a service or support. As the assessment of these claims can be impacted by a number of factors we are now reporting on all cases where significant evidence is provided to assist with the application.
- 4.7 **Pre-employment Checks**
A-FACT support Human Resources by undertaking part of the Council’s recruitment checks. Each potential employee of the Council is required to complete a pre-employment check focusing on any issues relating to Council tax, benefits, rent and personal business interests which may cast doubt on the individual’s integrity or potential conflicts for their work going forward. This process also applies to agency staff.

Appendix 4 – A-FACT annual report to Audit Panel

Summary of pre-employment checks	2017/18	2016/17	Change		2015/16	2014/15
	FY	FY	Number	%	FY	FY
Checks completed	301	268	33	12%	317	270
Action taken	60	30	30	100%	35	25

The majority of cases where action was required relate to business interests. Either the Council was not previously aware of the interest or checks had to be undertaken to ensure no conflict of interest. This accounts for 47 cases. Two cases resulted in offers of employment being withdrawn due to inconsistencies being identified that could not be resolved, these two cases are included in the Special Investigations employee cases figures.

There have also been more cases of potential employers owing significant amounts in Council Tax etc.. to the Council. Generally these are approved for employment providing a reasonable arrangement to pay the debt is made and adhered to.

Lewisham Homes

- 4.8 A-FACT continues to undertake investigation work on behalf of Lewisham Homes under a Service Level Agreement which has now been extended for 2018/19. This is equivalent to half an investigator's time. The outcome of these investigations is reported by Lewisham Homes to their Audit Committee.

5 Housing Application Investigations

- 5.1 Details of work and comparative figures for the same period in the prior year are shown below, along with the previous three full year figures for reference.

Summary of Housing App Investigations	2017/18	2016/17	Change		2015/16	2014/15
	FY	FY	Number	%	FY	FY
b/f	22	2	20		19	38
New	50	125	-75	-60%	28	46
New - NFI (Deceased)	157					
Closed	60	105	-45	-43%	-45	-65
Closed - NFI (Deceased)	155					
Resulting in action	29	33	-4	-12%	25	42
Resulting in action from NFI deceased	155					

- 5.2 The 29 successful cases resulted in 25 cancelled applications for housing. Based on current Cabinet Office figures each represents an indicative savings of £18k. In total a value of £450,000. The remaining cases related to proving that four decant applications, two where the tenant was claiming to be resident (saving approx. £12k), one where the tenants had tried to inflate the size of the property required, and another where the tenant provided false documentation to support their family's application, when challenged they surrendered the tenancy.

Appendix 4 – A-FACT annual report to Audit Panel

5.3 A further 155 cases were removed from the register as data matching undertaken as part of the National Fraud Initiative found that the applicant was deceased but not classed as fraudulent, these are included in the cases closed figure.

5.4 One of the cases concluded recently involved a single parent who had applied as homeless however reviewing their accommodation history found that they had obtained a private tenancy based on their spouse's earnings. The estate agent provided full details which were substantiated and when challenged the applicant admitted they had lied to get a Council house.

6 DCLG/ RSL Partnership Cases

6.1 Since January 2012 A-FACT have worked with local housing partners to tackle fraud related to social housing.

Summary of DCLG Housing Investigations Work	2017/18	2016/17	Change		2015/16	2014/15
	FY	FY	Number	%	FY	FY
b/f (corrected 2016 b/fwd figure)	19	5	14		176	33
New	65	87	-22	-25%	76	269
Closed	40	63	-23		246	126
c/f	44	29	15	52%	6	176
Resulting in action	16	19	-3	-16%	16	38

6.2 There were 14 tenancies successfully recovered. The Cabinet Office have stated that the notional value of a social tenancy is now £75k on that basis this equates to a total saving to the Council of £1.05 million. The remaining two cases relate to successions where, following investigation, the property size was reduced from three to one bed. A further six cases have eviction dates in April.

6.4 One of the more interesting cases involved a property which had been sublet since the start of the tenancy in 2010. The investigation not only proved the sublet and recovered the tenancy but found that the tenant was employed in a position of trust with another housing provider. Their actions were reported to their employer and they resigned whilst disciplinary action was ongoing.

7 Local Government Transparency Code 2014

7.1 The Local Government Transparency Code requires all local authorities to publish data on their anti-fraud arrangements on at least an annual basis.

7.2 The data for 2017/18 is shown in the table below along with the two previous years for comparison.

Appendix 4 – A-FACT annual report to Audit Panel

Data required	2017/18	2016/17	2015/16
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to require information) (England) Regulations 2014 or similar powers.	145	68	1
Total number of employees undertaking investigations and prosecutions of fraud	6	7	7
Total number of professionally accredited counter fraud specialists	6	6	6
Total amount spent by the authority on the investigation and prosecution of fraud	£313,559	£355,734	£336,153
Total number of cases investigated	424	282	428

8 Any other business

- 8.1 As in 2016/17, through 2017/18 it has been hard to recruit and retain investigation officers on temporary contracts (using remaining MHCLG grant) to progress housing work. This has in part impacted the lower numbers recorded for tenancies recovered as reported in section 6. In 2018/19, the service is therefore going to have a push on procurement fraud in contracts using more financial skills as well as maintaining the housing focus.
- 8.2 The contractual negotiations, along with all London Boroughs, continue in respect of joining the CIPFA Counter Fraud Hub. At this stage, subject to the contractual terms, Lewisham looks likely to join in the second wave in September / October 2018.