



Report No. RRE/1718/MZR20

Catford Regeneration Partnership Ltd (CRPL) – 2017/18

Final Internal Audit Report
Resources and Regeneration
Limited Assurance

May 2018

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Auditor: Tuoyo Dada – Assistant Audit Manager – Mazars		Management Responses Received	27/04/2018
Reviewed by: Dave Phillips – Senior Audit Manager - Mazars		Final Report Issued	17/05/2018

Distribution Position / Job Title	Officers Name	Reports Received
Audit Sponsor - Senior Group Manager, Capital Programme Delivery	Kplom Lotsu	Draft and Final
Head of Public Services	Ralph Wilkinson	Draft and Final
Head of Financial Services	Selwyn Thompson	Draft and Final
Internal Audit Manager	Julie Hetherington	Draft and Final
Head of Corporate Resources	David Austin	Draft and Final
Executive Director for Regeneration and Resources	Janet Senior	Final only
External Audit	Council's External Auditors	Final only

Status of our reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Limited at the request of The London Borough of Lewisham and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of The London Borough of Lewisham and to the fullest extent permitted by law Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Page 11 of this report for further information about responsibilities, limitations and confidentiality.



Overall Internal Audit Assurance Opinion	▲ Limited	Risk Areas			H	M	L
<p>★ Substantial ● Satisfactory ▲ Limited ■ No Assurance (See glossary for definitions).</p> <p><u>Introduction and Terms of Reference (ToR)</u></p> <p>The background for this internal audit is included in the ToR at the end of this report. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.</p> <p><u>Key findings</u></p> <ul style="list-style-type: none"> • There are no contracts in place with providers of key professional services; • The meeting quorum is not defined for the Catford Regeneration Partnership Board meetings; • There are no documented financial regulations for performing financial transactions; • There is no effective budgetary control system in place; and • The 2017/ 18 annual budget is not evidenced as approved by the Council. <p><u>Areas that worked well</u></p> <ul style="list-style-type: none"> • The CRPL 2017/18 Business Plan was approved by the Mayor and Cabinet at the meeting held on 10 May 2017 and approved by the Full Council in its meeting held on 17 July 2017; • The Terms of Reference of the Catford Regeneration Partnership Board is defined; • There is regular reporting on the CRPL's key activities to the Catford Regeneration Partnership Board (CRPB); and The CRPL's accounts as at 31 March 2017 was externally audited. 		▲	1. Governance	1	1	1	
		▲	2. Accountability	1	2	-	
		Total		2	3	1	
		<p><u>Monitoring of recommendations</u></p> <p>Officers are required to provide progress updates on High or Medium recommendations on the dedicated recommendation site.</p> <p><u>Changes to the scope</u></p> <p>This audit was conducted in line with the agreed Terms of Reference.</p>					

Rec No	Recommendation and findings	Cat. HML	Management comments	Due to complete date	Responsible or Overseeing officer
1	<p>Governance</p> <p><u>Recommendation</u></p> <p>Management should ensure that contracts are in place with providers of key professional services.</p> <p><u>Findings</u></p> <p>The CRPL has arrangements in place for professional services as follows:</p> <ul style="list-style-type: none"> - Property management – Cushman & Wakefield; - Retail letting – Mason Owen; - Surveys and rent review negotiation - Johnson Fellows; and - Solicitors - Field Fisher. <p>Internal Audit noted that there are no contracts in place between the CRPL and the Managing Agents, Retail Letting Agents and the Surveyors and Rent Review Negotiators with respect to the arrangements in place.</p>	H	Agreed	May 2018	Senior Group Manager, Capital Programme Delivery
2	<p>Governance</p> <p><u>Recommendation</u></p> <p>The Catford Regeneration Partnership Board should define the quorum of its meeting in the Boards Terms of Reference.</p> <p>The Board meetings should be held monthly in line with its Terms of Reference. Any amendments to the frequency should be formally agreed and the Terms of Reference amended accordingly.</p> <p><u>Findings</u></p> <p>The Terms of Reference of Catford Regeneration Partnership Board (CRPB) requires meetings to be held monthly with the agreed action</p>	M	Agreed	May 2018	Senior Group Manager, Capital Programme Delivery

Rec No	Recommendation and findings	Cat. HML	Management comments	Due to complete date	Responsible or Overseeing officer
	<p>points circulated following each meeting. It was, however noted that the quorum of the Board meetings is not defined.</p> <p>Examination of the available meeting minutes noted that the CRPB does not meet monthly as stated in its Terms of Reference. Between January and December 2017, meetings were only held in March, May, September and December 2017.</p>				
3	<p>Governance</p> <p><u>Recommendation</u></p> <p>Officers should assist the Constitutional Party, if their help is required, to review the governance arrangements of Catford Regeneration Partnership Limited.</p> <p><u>Findings</u></p> <p>Examination of the minutes for the Full Council meeting, that was held on 17 July 2017, noted the resolution of the Overview & Scrutiny Business Panel to direct the Constitution Working Party to review the governance of Catford Regeneration Partnership Limited, with a view to increase the current number of Directors to include a Non-Executive Member.</p> <p>At the time of the audit, there was not an a Non-Executive member in place and the CRPL had only two directors, R.W (LBL Head of Public Services) and S.T (LBL Head of Financial Services) with responsibility for the day to day running of the company in line with the articles of association and have other statutory duties as defined by the Companies Act 2006.</p>	L	Agreed	May 2018	Senior Group Manager, Capital Programme Delivery
5	<p>Accountability</p> <p><u>Recommendation</u></p> <p>Management should ensure that it implements an effective budgetary</p>	H	Agreed	May 2018	Senior Group Manager, Capital

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	<p>control system in place. This should then be documented in the financial regulation guidelines.</p> <p><u>Findings</u></p> <p>The process for budgetary control for the CRPL is not documented. There was no evidence provided that budget monitoring is performed or that reports are produced. There was no evidence in the Catford Regeneration Partnership Board meeting minutes of any budget monitoring reports being presented or discussed.</p> <p>At the time of the audit, there was no up to date budget report available and, as such, Internal Audit was unable to assess or report on budget performance.</p>				Programme Delivery
4	<p>Accountability</p> <p><u>Recommendation</u></p> <p>Management should ensure that it documents the financial regulations which will provide guidelines for performing its financial transactions.</p> <p><u>Findings</u></p> <p>At the time of the audit, there were no documented financial regulations in place to provide guidelines relating to financial activities.</p>	M	Agreed	May 2018	Senior Group Manager, Capital Programme Delivery
6	<p>Accountability</p> <p><u>Recommendation</u></p> <p>Management should ensure that its annual budget is approved by the Council as required.</p> <p><u>Findings</u></p> <p>Section 1.2 – Appendix B of the CRPL 2017/18 business plan requires the approval of each Financial Year Budget to be a matter reserved for</p>	M	Agreed	March 2018	Senior Group Manager, Capital Programme Delivery

Rec No	Recommendation and findings	Cat. HML	Management comments	Due to complete date	Responsible or Overseeing officer
	the shareholders. At the time of the audit, there was no evidence provided to confirm that the 2017/18 annual budget was approved by the Council as required.				

Explanations for Assurance Opinion

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

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

Limitations to the scope of the audit:

Our work does not provide absolute assurance that material error, loss, or fraud does not exist. It is not a substitute for management checks and controls.

Update your recommendations - link to site

If you need to update your High and Medium recommendations please click on the link below.

<http://assets/sites/Risk/InternalAudit/LBLManagement/Lists/Recommendations/MyItems.aspx>

Definition of Category of Recommendation

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

Rating	Definition
High	It is crucial that this recommendation is implemented immediately. This will ensure that service area will significantly reduce its risk of not meeting its objectives.
Medium	Implementation of this recommendation should be done as soon as possible, to improve the likelihood of the service area meeting its objective.
Low	Implementation of this recommendation would enhance control or improve operational efficiency.

Contact Details

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Audit name	Catford Regeneration Partnership Limited (CRPL) – Resources and Regeneration - 2017/18
Conducted by	Tuoyo Dada – Assistant Audit Manager - Mazars

Background and Objective of the Service

Catford Regeneration Partnership Limited (CRPL) is a wholly owned subsidiary of Lewisham Council. The company was originally created in January 2010 to purchase the leasehold interests in and around the Catford Centre in order to manage and regenerate the property to improve the economic, social and environmental wellbeing of the people of the London Borough of Lewisham (LBL).

The CRPL currently has two directors who are responsible for the day to day running of the company in line with the articles of association and have other statutory duties as defined by the Companies Act 2006. The directors must take account of the approved business plan when exercising their functions in the management of the company. The directors are appointed and removed by the Council as sole shareholder.

In line with the plans presented to the Council in previous financial years, the CRPL has continued to develop an effective and efficient management approach for the operation of the property through a team of professional advisors, including an in-house surveyor from the LBL Estates team and external agents that oversee daily management of the property and report to the directors of CRPL. Officers from the Capital Programme Delivery Team as part of the Catford Regeneration Programme support the CRPL in relation to the regeneration aspects of their objectives. The in-house officers’ time is recharged to the company as and when appropriate.

Certain key decisions in relation to the company are classified as reserved matters and must be approved by the Council as sole shareholder. The Mayoral Scheme of Delegation allows specific officers to take executive decisions in relation to the Company where appropriate.

Purpose of the Review

The purpose of this internal audit is to provide an opinion on the effectiveness of the controls in place. If applicable, internal audit will make recommendations to management on how to improve these controls.

Limitations to the Audit

Our work does not provide absolute assurance that material error, loss, or fraud does not exist. It is not a substitute for management checks and controls.

Main Risks Identified

Risk 1	<p>Governance</p> <p>Ineffective governance arrangements could lead to:</p> <ul style="list-style-type: none"> - Failure to deliver the Partnership’s long term vision and corporate priorities; - Incorrect decision making; - Inconsistent working practices; and - Reputational damage to the Council.
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Risk 2**Accountability**

Inadequate arrangements for accountability could give rise to:

- Poor performance not being identified or rectified;
- Incorrect decision making; and
- Failure to achieve Partnership's objectives.

Areas to be Reviewed

The areas that will be assessed in this audit are:

- Governance;
- The processes around accountability of the Partnership.

List of Requirements

To help us with this audit, we would like to have the following by 22 January 2018:

- The CRPL 2017/18 Business plan; and
- The Terms of Reference for the Catford Programme Board.

Distribution list

Senior Group Manager, Capital Programme Delivery- Audit Sponsor	Kplom Lotsu
Head of Public Services	Ralph Wilkinson
Head of Financial Services	Selwyn Thompson
Head of Corporate Services	David Austin
Internal Audit Manager	Julie Hetherington
Senior Audit Manager - Mazars	Dave Phillips
Assistant Audit Manager - Mazars	Tuoyo Dada

Expected Audit Timeline and Terms of Reference (ToR) Issue & Agreed Dates

Date of Issued of ToR	17 January 2018	Date ToR Agreed	17 January 2018
Audit Start Date	22 January 2018	Expected End Date	09 February 2018
Expected Draft Report Issued	23 February 2018	Expected Final Report Issued	09 March 2018

Auditor Statement

The auditor has declared in relation to this review, that they have no known impairment to their independence, that they will remain impartial throughout the review and have no conflict of interests to declare.

Statement of Reference

We take responsibility to The London Borough of Lewisham for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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