

AUDIT PANEL		
Report Title	Internal Audit update report	
Key Decision	No	Item No. 5
Ward	ALL	
Contributors	Executive Director for Resources	
Class	Part 1	Date: 23 November 2011

1. Purpose of the Report

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

- Internal audit progress since the last Audit Panel report
- Performance of the Internal Audit contractor, and
- Implementation of internal audit recommendations.

2. Recommendations

2.1. It is recommended that the Audit Panel note the content of this report.

3. Background

- 3.1. The client side of Internal Audit comprises an Interim Head of Audit and Risk and an Internal Audit Contract Manager.
- 3.2. They contract and supervise the Council's internal audit service, which has been provided by RSM Tenon since September 2008. In October, following a competitive tendering exercise, the contract was renewed for a further three years.
- 3.3. The contractor is responsible for completing all the internal audit reviews for the Council (non-schools and schools) and any consultancy or grant certification work as directed.
- 3.4. Under a service level agreement the internal audit service also undertake audits for Lewisham Homes and occasionally when requested for some of Lewisham Council's partners.

4. Internal Audit progress update

2010-11

- 4.1. The audit plan for 2010/11 is completed to final report stage with the exception of one report :
- Procurement and Purchasing of Goods and Services – this is at the draft review stage
- 4.2. This review was commissioned at the end of the previous financial year to look in at some potential concerns around the use of manual ordering, receipting of goods and matching of credit notes identified from an Anti-Fraud and Corruption Team investigation. The delay arises because initial audit testing did not cover the audit scope so additional work was requested.

2011/12 Audit Plan

- 4.3. The Regeneration Directorate has now been disbanded and with the exception of parking enforcement and transport, and their Divisions are now merged into the new Resources and Regeneration Directorate. The Resources and Regeneration Directorate is referred to in shorthand in this report as RRE.

4.4. The table below summarises the number of audits by Directorate for the audit plan for 2011/12 up to the 31/10/11.

Lead Dir.	Original Audit Plan	Audit Work Added	Audits Pulled	Current Audit Plan	Final Reports Issued	Report at Draft Stage	Work in Progress	Work Not Yet Due
RRE	28	4	1	31	2		3	26
CUS	12	3	1	14	4		2	8
COM	5	6	1	10	1		3	6
CYP	6	1		7	2		3	2
SCH	32	1		33	8	8	1	16
TOTAL	83	15	3	95	17	8	12	58

4.5. This shows :

- 39% of the plan is now in progress
- 26% of the plan has been completed to draft report stage and
- 18% of the plan has been completed to final report stage.

4.6. Since the last Audit Panel Meeting in August, there have been eight additional audits requested and no cancelled reviews. These are listed below:

Dir.	Audit Title	Comments
RRE	Schools PFI	Part of the Contract and Procurement Review
RRE	Risk Maturity	New testing programme approved.
COM	Younger Adults	Requested by COM management – replaces a cancelled Increased Shared Role with NHS review
COM	Monitoring of Small Grants for Community and Local Assembly	Requested by Community Management
COM	Learning Development Pricing Tool	Requested by Community Management
COM	Learning Development – Shared Lives	Requested by Community Management
SCH	Foster Park Primary School	Requested by Head Teacher as new to the school.
CUS	Housing 21 Contract Review	Part of the Contract and Procurement Review

4.7. Since the last Audit Panel report, there have been seven final reports issued.

Dir.	Audits title	Final Issued	Assurance Level
CUS	Trading Standards	27/06/11	Substantial
CUS	Complaints, Compliments & Suggestions	01/07/11	Substantial
CYP	Play Capital Determination Grant	22/06/11	N/A – Grant
CYP	Provision of School Places	22/06/11	Substantial
SCH	Brockley Primary School	27/05/11	Substantial
SCH	Chelswood Nursery	21/07/11	Substantial
SCH	St William of York	01/07/11	Substantial

4.8. Since the last Audit Panel report there has been no Limited or No Assurance Reports finalised.

4.9. For a more detailed look at the audits in the audit plan, please refer to Appendix 1. Those audits that have already been reported to the audit panel as finalised do not appear in the table at Appendix 1 which focuses on work in progress and still to be started for 2011/12.

4.10. Overall, and as borne out by the contractor performance indicators below, this position is slightly behind plan as it is taking slightly longer to start and finalise certain reviews than hoped. We are working with the contractor and auditees to help conclude reviews as promptly as possible. Quarter three is key to our plan to avoid too much work being left to the last quarter when we have a full schedule of core systems work booked in.

4.11. It should be noted that this position is comparable to the one we faced a year ago when we delivered over 95% of the audit plan to draft report stage in line with our targets. We, the Council's internal audit team and the contractor therefore remain confident the audit plan can be delivered in the year. Progress in this important quarter will be monitored by the Internal Control Board when they meet on the 20 December.

5. Performance of the contractor

5.1. One of the ways that the performance of the contractor is measured is by Performance Indicators (PIs). These PIs and targets were agreed at the start of the year.

No.	Performance Indicator	Target YTD	Actual YTD to	Variance (+/-)
1	Percentage of all draft reports issued against audit plan	27.4%	26.3%	(1.1)%
2	Percentage of draft audit reports issued within 15 working days of the exit meeting	90%	68%	(22)%
3	Percentage of final reports issued within 10 working days of agreed draft report	95%	94.1	(0.9)%
4	The average level of client satisfaction to be achieved (out of a score of 5)	4%	4.5%	+0.5%
5	Percentage of High & Medium recommendations made agreed by management.	95%	97%	+2%

- 5.2. Two of the five PIs targets have been met or exceeded, with three not met.
- **PI 1** – Overall target missed by 1%. This is a slight deterioration in performance from being 2% ahead at the last audit panel report. The cause of this is the non-schools work where the target was missed the target by 13%. The schools target was exceed by 21%. The contractor has assured us that this target will improve and the audit plan will be met.
 - **PI 2** - The target for this PI was missed by 22%. This is an improvement from the last audit panel meeting where this PI was missed by 27%. See also comments at 4.10 above and 6.3 below for some of the anecdotal pressures influencing this target.
 - **PI 3** - This target was missed by 1% and has declined by over 10% since the last Audit Panel. We have raised this with the contractor and continue to monitor their performance. We are assured the internal audit team are now treating this as a priority.
 - **PI 4** - This has exceeded by 0.5% - this is an improvement on the already exceeded target. That the reception to internal audit work and it's quality remains high, mindful of the comments about delays on PIs above, is important.
 - **PI 5** - This has exceeded its target by 2% - and, and with PI4, provides some assurance that the quality of internal audit work and the relationship with management continues to remain strong despite some of the operational pressures being faced by all.

6. Implementation of internal audit recommendations

- 6.1. All High and Medium recommendations are followed up by internal audit as part of the audit process. Follow-up reviews are normally undertaken within six months of the final report being issued by the contractor.
- 6.2. The table below is a summary the total number of recommendations followed-up by the contractor since the last audit panel report and up to 31/10/11. It shows that 78% of recommendations that were followed up were either implemented, in progress or superseded with 22% not implemented.

	Implemented	In progress	Superseded	Not Implemented	Not Due	Total
TOTAL	39	22	3	17	-	81

- 6.3. This is slightly behind the position previously reported and may, based on anecdotal evidence, reflect a combination of some delays in implementing audit recommendations over the summer holiday period and/or as managers and teams are increasingly occupied with maintaining business as usual and implementing agreed savings plans.
- 6.4. We will continue to ensure a follow-up of High and Medium recommendation is conducted six months after the final report is issued and keep this area under review and report progress to the Audit Panel. Details of the individual follow-up reviews issued since the last audit panel meeting can be found at Appendix 2.

6.5. The table below shows the status of all recommendations made up to the 31/10/11.

Lead Dir	Previous No. of O/Due Recs.	Current No. of O/due Recs	Current No. of Recs with 2+ changes	Previous No. of Open 18/08/11	No of Recs Re-opened since 18/08/11 to 31/10/11	No. of New Recs from 18/08/11 to 31/10/11	Closed Recs from 18/08/11 to 31/10/11	Current Open Recs at 31/10/11
RRE	17	20	13	61	13	13	33	54
CUS	-	-	-	13	5	3	7	14
COM	5	12	4	18	3	11	5	27
CYP	-	1	3	12	-	-	3	9
SCH	13	23	-	20	-	13	7	26
Total	35	56	20	124	21	40	55	130

6.6. A summary table in Appendix 3, shows those audits with recommendations either overdue or with two or more changes of implementation date. As at 31/10/11 there were 56 overdue (11 High and 45 Medium) recommendations. Out of those that are overdue, nine have been overdue since the last audit meeting with no progress update provided as at 31/10/11.

6.7. At the Audit Panel's request, we invite officers to attend the meeting to explain the current position of recommendations overdue or with multiple date changes.

7. Update on Key Risks

7.1. The annual risk management maturity review undertaken by internal audit for 2010/11 concluded that the Authority continues to be 'Risk Managed'. This is the fourth point on a five point scale and is the level Internal Control Board expects to be maintained. This year's risk management audit is schedule for quarter four.

7.2. At the Audit Panel's request we provide below the current status on the key corporate risks, changes and actions being taken to mitigate them. The current red (most significant) risks in the corporate risk register are:

Corporate Risk Register – Extract		
Corporate priority	Risk title	RAG status
Inspiring efficiency effectiveness and equity	Failure of central ICT infrastructure	Red
Inspiring efficiency effectiveness and equity	Litigation risks	Red
Inspiring efficiency effectiveness and equity	Non-compliance with H&S regulations	Red
Protection of Children; Caring for Adults and Older People	Avoidable death or serious injury to client or employee	Red
Inspiring efficiency effectiveness and equity	Employee relations	Red

7.3. This represents no change from the previous Audit Panel report. The corporate risk register is updated quarterly by the Executive Management Team and then reviewed by the Internal Control Board. This happened in September as reported to the Audit Panel and is next scheduled for December.

8. Legal Implications

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

9. Financial Implications

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

10. Equalities Implications

10.1. There are no equality implications arising directly from this report.

11. Crime and Disorder Implications

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

12. Environmental Implications

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

13. Background Papers

13.1. There are no background papers.

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

Appendix 1 – Progress of the Audit Plan for 2011/12

Resources and Regeneration Audits

Sorted by final reports issued, draft reports issued and work started - Key Audits in Bold

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
RRE	Public Sector Transparency Board	Q1	08/04/11	31/08/11	01/09/11	Satisfactory	
RRE	Security of Town Hall / Laurence House	Q1	23/03/11	29/07/11	19/09/11	Satisfactory	
RRE	Highways Contract (1) Monitoring of the Contract	Q2	04/07/11				Part of the Con. and Pro. overview report
RRE	Building Security (3) Monitoring of the Contract	Q2	02/08/11				Part of the Con. and Pro. overview report
RRE	Property Asset Management Follow up	Q3	17/10/11				
RRE	Contract and Procurement Overview Report	Q3					Unable to complete until all individual contract reviews have been conducted.
RRE	Fraud	Q3					Awaiting scope from specialist
RRE	Implementation of Fixed Asset System	Q3					
RRE	Implementation of Payroll system (ResourceLink)	Q3					
RRE	Implementation of HR System - PHRIS	Q3					
RRE	HR - Thematic Review	Q3					
RRE	Project Management Monitoring Capacity	Q3					
RRE	Legal Services	Q3					
RRE	Performance Indicators for LA's	Q3					
RRE	Cyber Threats	Q3					
RRE	Mutual Organisations	Q3					
RRE	Information Governance	Q3					

Appendix 1 – Progress of the Audit Plan for 2011/12

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
RRE	Review of Major Grants	Q3					
RRE	Pensions	Q3					
RRE	Payroll	Q3					
RRE	Main Accounting / General Ledger	Q3					
RRE	Accounts Payable	Q3					
RRE	Fixed Asset Register	Q3					
RRE	Budget Control and Monitoring	Q3					
RRE	Treasury Management	Q3					
RRE	Capital Programme – Monitoring and Expenditure	Q3					
RRE	Risk Maturity	Q3					
RRE	Consultants Planning Framework (5) Monitoring of the Contract	Q3					Part of the Con. and Pro. overview report
RRE	Regeneration of Lewisham	Q3					
RRE	Croydon and Lewisham Street Lighting PFI	Q3					

Customer Services Audits – Sorted by final reports issued, draft reports issued and work started - Key Audits in Bold)

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
CUS	Street cleaning	Q1	05/04/11	02/09/11	23/09/11	Consultancy	
CUS	Brockley PFI (Major Suppliers)	Q1	11/07/11				
CUS	Green Scene- Contract Monitoring (4)	Q2	15/09/11				Part of the Con. and Pro. overview report
CUS	Implementation of NNDR System	Q3					

Appendix 1 – Progress of the Audit Plan for 2011/12

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
CUS	Homesearch	Q3					
CUS	Housing 21 (7) – Monitoring of the contract	Q3					Part of the Con. and Pro. overview report
CUS	Housing and Council Tax Benefits	Q3					
CUS	Council Tax	Q3					
CUS	Accounts Receivable	Q3					
CUS	NNDR	Q3					
CUS	Cash Collection & Banking	Q3					

Community Services Audits – Sorted by final reports issued, draft reports issued and work started - Key Audits in Bold

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
COM	Personal Budgets	Q1	05/04/11				
COM	Learning Disabilities (2) – Monitoring of Contract	Q1	07/07/11				Part of the Con. and Pro. overview report
COM	Supporting People Service Plan	Q2	02/08/11				
COM	Learning Development – Pricing Tool	Q3					
COM	Learning Development – Shared Lives	Q3					
COM	Younger Adults	Q3					
COM	Client Contributions for Residential and Domiciliary Care Services	Q3					
COM	Payments to Residential and Domiciliary Care Service Providers	Q3					
COM	Monitoring of Small Grants and Community and Local Assembly	Q3					

Appendix 1 – Progress of the Audit Plan for 2011/12

CYP Audits – Sorted by final reports issued, draft reports issued and work started - Key Audits in Bold

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
CYP	CONTROC system - joint review	Q2	25/07/11				
CYP	Children Social Care	Q2	22/09/11				
CYP	School IT Security	Q2	11/09/11				
CYP	School PFI (6) Monitoring of the Contract	Q3					
CYP	Looked After Children	Q3					

School Audits – Sorted by final reports issued, draft reports issued and work started

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
SCH	Elfrida Primary	Q1	23/06/11	01/08/11	30/09/11	Substantial	
SCH	Perrymount Primary	Q1	28/06/11	26/07/11			
SCH	Gordonbrock Primary	Q2	04/07/11	02/08/11			
SCH	Holy Trinity Primary	Q2	11/07/11	02/08/11			
SCH	St Bartholomew's Primary	Q2	18/07/11	04/08/11			
SCH	Baring Primary	Q2	20/09/11	25/10/11	25/10/11		
SCH	Childeric Primary	Q2	26/09/11	06/10/11	21/10/11		
SCH	Downderry Primary	Q2	12/09/11	10/10/11	20/10/11		
SCH	St John Baptist Primary	Q2	15/09/11	06/10/11	21/10/11		
SCH	Foster Park School	Q3	18/10/11				
SCH	Ashmead Primary	Q3	11/10/11	21/10/11			
SCH	Brindishe Lee Primary	Q3					

Appendix 1 – Progress of the Audit Plan for 2011/12

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
SCH	Coopers Lane Primary	Q3	17/10/11	27/10/11			
SCH	Eliot Bank Primary	Q3	03/10/11	21/10/11			
SCH	Grinling Gibbons Primary	Q3					
SCH	Haseltine Primary	Q3					
SCH	John Ball Primary	Q3					
SCH	St James Hatcham Primary	Q3					
SCH	St Margaret's Lee CE Primary	Q3	05/09/11	14/09/11			
SCH	Brent Knoll (Special)	Q3					
SCH	All Saints Primary	Q4					
SCH	Christ Church Primary	Q4					
SCH	Kelvin Grove Primary	Q4					
SCH	Sir Francis Drake Primary	Q4					
SCH	St Saviours Primary	Q4					
SCH	St Winifreds Juniors	Q4					
SCH	Greenvale (Special)	Q4					
SCH	Meadowgate (Special)	Q4					
SCH	New Woodlands (inc Primary PRU)	Q4					

Appendix 2 - Follow Up Reviews Conducted Since the Last Audit Panel

Dir.	Audit Name	Audit Opinion	Final Report date	Rec Cat.	Implemented	In Progress	Superseded	Not Implemented	Not Due Yet	Total Recs
RRE	Taxation (VAT)	Consultancy	21/02/11	H						5
				M	3	2				
RRE	Treasury Management	Substantial	18/03/11	H						1
				M	1					
RRE	Pensions (10/11)	Substantial	16/03/11	H						1
				M		1				
RRE	Capital Programme Monitoring & Expenditure	Satisfactory	23/03/11	H	1					3
				M				2		
RRE	Benefits Realisation for the Early Change Project	Satisfactory	16/02/11	H						3
				M	2		1			
RRE	Communication – Design and Print	Limited	31/03/11	H		2				10
				M	5	1		2		
RRE	Health & Safety	Consultancy	01/11/11	H	1	1		2		15
				M	1	5		5		
CUS	NNDR (Main Testing)	Satisfactory	16/02/11	H						4
				M	1	1	2			
CUS	Cash Collection and Banking	Satisfactory	10/03/11	H						3
				M	2	1				
CUS	Pre-payment Cards	Satisfactory	01/12/11	H						4
				M	2	2				
CUS	Customer Relationship Management	Satisfactory	08/03/11	H						4
				M	1			3		
COM	Homecare Services	Limited	14/03/11	H		1		1		5
				M	2	1				
COM	Client Monies – Bargery Road	Consultancy	15/02/11	H						1
				M	1					

Appendix 2 - Follow Up Reviews Conducted Since the Last Audit Panel

Dir.	Audit Name	Audit Opinion	Final Report date	Rec Cat.	Implemented	In Progress	Superseded	Not Implemented	Not Due Yet	Total Recs
COM	Event	Satisfactory	11/10/11	H						1
				M	1					
COM	Direct Payments	Limited	29/03/11	H	1			1		6
				M	1	2		1		
CYP	Care Planning Arrangements from Children and Adult	Satisfactory	21/10/11	H						4
				M	3	1				
CYP	CYP Estates Management	Satisfactory	21/12/10	H						4
				M	4					
CYP	Bankline	Substantial	16/03/11	H						1
				M	1					
SCH	Lee Manor School	Satisfactory	22/02/11	H						3
				M	2	1				
SCH	Deptford Park School	Satisfactory	23/03/11	H						3
				M	3					
Total No.					39	22	3	17	0	81
Percentage					48%	27%	6%	22%		

Appendix 3 – Overdue Recommendations and Recommendations Two or More Changes of Date

Dir	Name of Audit	Final Report Date	High O/Due	Medium O/Due	No. Recs 2+ Changes	Comment
RRE	Property Services – Mail Room	15/04/11	2	4		
RRE	Highways – Charging Utilities for Street Works	26/11/10		2		
RRE	Property Services – Repairs and Maintenance	20/04/11		6		
RRE	Security of Town Hall and Laurence House	19/09/11		2		
RRE	Information Security Management	24/03/11		1		
RRE	SharePoint	25/01/10		1	2	Date changed 2 times
RRE	DPA/ FOI	09/10/09			1	Date changed 4 times
RRE	Health & Safety	01/11/10		1	5	Date changed 2 times
RRE	Risk Management – Operational Risk Registers	01/10/11			1	Date changed 2 times
RRE	Communication Design & Print	31/03/11		1		
RRE	Occupational Health Referrals	13/08/10			3	Date changed 2 time
RRE	Schools Outsourced Pension	16/09/10		1		IA did not remind department
RRE	Highways Maintenance	03/05/08			1	Date changed 9 times.
COM	Community Mental Health (SLAM)	Pre 2009		1	1	Overdue since last Audit Panel Date changed 5 times
COM	Review of Financial Management of Public Funds Held by LPHA	06/09/11	9	1		
COM	Direct Payments 10/11	29/03/11		1	*1	Overdue since last Audit Panel * This rec is not overdue (changed 2 times)
COM	Client Contributions to Res & Dom Care (10/11)	16/12/10			1	Date changed 3 times
COM	Client Contributions to Res & Dom Care (pre 2009)	29/05/10			1	Date changed 4 times
CYP	Family Support and Intervention	04/12/09			2	Date changed 5 times
CYP	ICS Application Security Controls	16/07/10			1	Date changed 2 times
SCH	Horniman Primary School	24/06/10		1		Overdue since last Audit Panel
SCH	Myatt Garden School	25/06/10		3		Overdue since last Audit Panel
SCH	Rangefield School	21/03/11		1		
SCH	Torridon Junior School	08/07/10		1		Overdue since last Audit Panel

Appendix 3 – Overdue Recommendations and Recommendations Two or More Changes of Date

Dir	Name of Audit	Final Report Date	High O/Due	Medium O/Due	No. Recs 2+ Changes	Comment
SCH	Chelswood Nursery	21/07/11		2		
SCH	Turnham Infant School	08/02/11		2		Overdue since last Audit Panel
SCH	Baring School	25/10/11		2		Finalised in October
SCH	Lucas Vale School	01/12/11		1		
SCH	Elfrida School	30/09/11		1		
SCH	St Augustine's School	03/12/11		3		
SCH	Downderry School	20/10/11		1		Finalised in October
SCH	Childeric School	21/10/11		3		Finalised in October
SCH	Brockley Primary School	27/06/11		1		
SCH	St John the Baptist	21/10/11		1		Finalised in October
			11	45	20	