

AUDIT PANEL		
Report Title	Internal Audit Update Report	
Key Decision	No	Item No. 7
Ward	ALL	
Contributors	Interim Chief Finance Officer	
Class	Part 1	Date: 11 July 2019

1. Purpose of the report

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

- Progress against the internal audit plans – corporate and schools, and
- Progress of implementation of internal audit recommendations.
- Audit charter
- Draft internal audit plan for 2019-20.

2. Recommendations

2.1. It is recommended that the Audit Panel:

- 2.1.1. note the contents of this report;
- 2.1.2. approve the audit charter; and
- 2.1.3. request an update on the 2019/20 audit plan and completion of the annual assurance report for the September meeting.

3. Executive Summary

3.1. At the time of writing, 18 reports were final, 5 at draft report, 13 at review stage, and 5 still progressing. The plan is still to issue all 18/19 work as draft by the end of July so the team can concentrate on 19/20 work.

3.2. This delay in the delivery of the plan is disappointing but not unexpected. As reported previously due to recruitment and retention difficulties with the in-house team and a general lack of resources available from in the sector, delivery of the 18/19 audit plan has been delayed.

3.3. There were no limited reports issued since the last meeting, although there are some at review stage which maybe and these will be reported to the next meeting and need to be considered as part of the annual assurance opinion.

High or Medium recommendations not agreed by management

3.4. Management agreed all High and Medium recommendations made.

Follow up reviews

- 3.5. There was one follow up review conducted on Oracle which notes the delay to implementing recommendations, in part due to the focus in recent months on preparing to launch the HR and Payroll elements of the system.

Management progress against actions agreed

- 3.6. The number of overdue corporate actions has fallen in the last period but remains at a similar proportion (45%) of open actions. Of the open actions, 48% are taking 12 months or more to complete. This has increased from the 38% reported at the last meeting.
- 3.7. From discussion with managers this is not only delay in completing the actions but also a frustration with the process and reporting, in particular when internal audit re-open actions or they need re-assigning as responsible staff move.
- 3.8. This process will be reassessed by internal audit in 2019/20 as the move to tracking individual actions rather than whole recommendations has significantly increased the volume of tasks to be tracked and may be contributing to the delays in closing outstanding and overdue actions.

Types of controls for corporate audit actions

- 3.9. Overall for the year, procedures and Compliance / Legal controls are where the most actions made, not segregation or duties or reconciliations as previously.

Schools - audit plan, progress on recommendations and follow-up reviews

- 3.10. All school audit work is complete with 24 final and three at draft pending any feedback from the schools. One limited report was issued since the last meeting.

Audit plan

- 3.11. The audit plan for 19//20 is attached for members to note and, to learn the lessons from delays in previous years, is scheduled in two parts. The first part is to focus is on delivering the core financial and schools audits. The second part of the plan will then be finalised in September on a risk basis to focus the remaining internal audit coverage on key changes being implemented in the year. Subject to the timing of these planned changes, the expected audits will include IT System changes, Contract Management, and Project Assurance.
- 3.12. The scope of the schools, core financial and deferred work have been previously agreed. The specific details for the second part of the year audits will be brought to the Audit Panel in September for their review and approval.

3.13. Audit charter

The audit charter is attached for members to approve. Other than date changes there are no material changes from the previous version.

Any other business

- 3.14. Given the identified potential for conflicts of interest and additional work for the Internal Audit manager as the Director for Corporate Resources role has grown; the recruitment of a separate Head of Internal Audit, distinct from the Director for Corporate Resources role, is being finalised.

4. Background

- 4.1. Internal Audit is a statutory service. Its main priority is to provide management and members with independent and objective assurance on the control environment within the Council. This is set out more fully in the Charter.
- 4.2. The internal audit service consists of an in-house team that is supported by an external service provider.

5. Progress against the corporate internal audit plan

- 5.1. All 41 audits had started.
- 18 Finalised
 - 5 Draft
 - 13 Review stage / Exit meeting / end of Fieldwork
 - 5 Fieldwork on going
- 5.2. The grant certification (Supporting Families) work is on-going, with no issues identified. See appendix 1 for further detail on the status of the corporate plan.
- 5.3. Since the last meeting, 10 corporate reports were finalised. The table below shows them with the audit opinion, and number or recommendations.

Audit (Corporate)	Date of Final	Audit Opinion	H	M	L	Follow up due
			Recs made			
2018/19-23 - Payroll 18-19	08/05/19	Satisfactory	-	5	-	n/a
2018/19-30 - Pensions and Investments 18-19	14/03/19	Satisfactory	1	3	-	n/a
2018/19-34 - Direct Payments 18-19	23/04/19	Satisfactory	-	12	1	n/a
2018/19-44 - Housing Benefit and Council Tax Reduction Scheme (CTRS) 18-19	14/03/19	Substantial	-	1	1	n/a
2018/19-61 - Besson Street Project	11/06/19	Satisfactory	1	5	-	n/a
2018/19-66 - Recruitment Process	04/06/19	Satisfactory	-	1	-	n/a
2018/19-76 - Lewisham Services for Schools Website	03/03/19	Substantial	-	3	3	n/a

Audit (Corporate)	Date of Final	Audit Opinion	H	M	L	Follow up due
			Recs made			
2018/19-79 - Fostering Arrangements	14/03/19	Satisfactory	-	7	-	n/a
2018/19-81 - Implementation of GDPR	04/06/19	Substantial	-	2	-	n/a
2018/19-81 - CSC Performance Management audit 2018-19	02/07/19	Satisfactory	-	2	1	n/a

Cancelled / Deferred

- 5.4. There was three audits deferred or cancelled since the last meeting:
- 2018/19-12 - Adult Care System (ACS) interface with Financial System – Cancelled as system improvement project is currently being scoped.
 - 2018/19-60 - OracleCloud – Payroll – Cancelled - merged in the HR Oracle Audit.
 - 2018/19-71 - Office 365 and SharePoint – Deferred to 2019/20 – not at a stage to be audited in 18/19 given the focus on key IT security issues first.

Delays to the plan 18/19 plan

- 5.5. As previously reported, the in-house team and contractors have had resourcing issues during this year that have contributed to the in-house part of the plan falling behind.
- 5.6. Due to the above, the core audits started much later than planned. This meant that the timing of the audits unfortunately coincided with officers and auditors going on annual leave, the Easter break, Exam leave, Half term, and finance year-end processes and external audit work.
- 5.7. This combination and recognising that external audit work has to be given priority this has added up to four weeks delay on some audits.

Additional work

- 5.8. There was no additional assurance or consultancy work required or requested.

6. High or Medium recommendations not agreed by management

- 6.1. Where management do not agree high or medium recommendation, the recommendation goes before the next Internal Control Board (ICB) for the final decision.

6.2. Management agreed all High or Medium recommendations made.

7. Follow-up reviews

7.1. Internal audit conducts a formal follow-up review on all reports with a Limited or No Assurance opinion, and Consultancy reviews. Internal audit also reserve the right to follow-up on any audit or any individual action as required.

7.2. The table below lists the follow-up conducted since the last meeting, showing the number of implemented, in progress, not implemented and reopened actions.

Audit Follow-up	Date of follow up	Implemented	In Progress	Not Implemented	Re-opened
2018/19 - F07 - Oracle Cloud Financials – Migration	17/06/19	-	2	2	2

8. Progress against Management Actions

Overdue actions

8.1. This section reports on the status of management actions since the last meeting.

8.2. While internal audit still makes recommendations in their reports, it is the management actions that are now tracked and reported on. Actions now have the due dates and owners against them, rather than the recommendations.

8.3. There may be more than one action to a recommendation. This means that it may not always be able to compare like for like until a few reports time.

8.4. Please note, the recommendations in reports prior to 2018/19, are now treated as actions for ease of reporting. The cut-off date for management to respond by was the 14/06/19.

8.5. To accompany the table, appendix 2 lists the individual audits with actions that overdue and / or show those taking 12 months or more to complete.

8.6. The number of overdue actions has dropped but, the percentage still remain high at 45%.

Month of meeting	Current no. of open actions	No. of overdue actions	Percentage of overdue actions
Jul 19	151	68	45%
Mar 19	183	80	44%
Dec 18	170	45	26%

Month of meeting	Current no. of open actions	No. of overdue actions	Percentage of overdue actions
Sep 18	164	50	30%
Jul 18	167	68	41%

Aged analysis report

- 8.7. This age analysis for actions is worked out by using the current due date for each open action against the date of the final report.

Month of Meeting	No. of recs under 3 mths	No of recs 3 under 6 mths	No of recs from 6+ to 9 mths	No. of rec 9+ to 12 mths	No of recs 12+ to 18 mths	No of recs over 18+ mths	No / % of recs over 12 m
Jul 19	37	15	19	7	31	42	73 / 48%
Mar 19	38	34	28	14	29	40	69 / 38%
Dec 18	30	32	32	12	25	39	64 / 38%
Sep 18	31	29	28	19	25	32	57 / 35%
Jul 18	44	35	24	13	37	14	51 / 30%
Mar 18	59	26	11	16	30	17	47 30%

- 8.8. The table above shows that the percentage of open actions that are taking over one year to be completed. The percentage of actions taking over 12 months is increasing. Please see appendix 2 for details.
- 8.9. This is an area for focus identified by the Executive Management Team (EMT) at the Internal Control Board (ICB). All responsible officers for actions now over one year old are being required to submit an explanation to explain the reasons for the delay in their implementation. The next ICB meeting is on the 17 July. Any additional work to close these actions off will then be considered.

9. Control issues found

- 9.1. The section reports on the types of controls as they relate to High or Medium findings. One finding may have more than one control recorded against it. This is because the controls are connected to the management actions.

- 9.2. For example – a finding could state that a policy was not in place. The actions for this finding could state that management will create a policy (Policies), get it approved (Governance) and then publish it (Other). As such, it would show three controls against one finding.
- 9.3. The table below provides the number of actions per control in relation to the reports issued during 18/19. Going forward they will be shown by meeting in line with other tables in this report.
- 9.4. In Appendix 3, it shows each finding and what controls are recorded against it for audits issued since the last meeting.
- 9.5. This table shows that main areas to date where actions are made are:
- Compliance / Legal – 28; and
 - Procedures – 26.

Type of control	From April to Nov 19	Mar 19	Jul 19	Running Total
Authorisation	-	2	-	2
Compliance / Legal	27	-	1	28
Financial / Budget Monitoring	3	1	-	4
Governance	5	1	7	13
Information Security	6	4	7	13
Policies	2	2	1	7
Procedures	11	8	10	26
Reconciliations	1	-	-	1
Separation of duties	-	-	-	-
Other	6	2	2	9
Total per month	63	20	28	103

10. Progress against schools' internal audit plan

- 10.1. With the exception of the three schools still at draft, all are now finalised. See appendix 4. There were five school audits finalised since the last meeting. Of these, one was Limited. The executive summary for this audit is in appendix 6.

Audits (Schools)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
2018/19-20 - Bonus Pastor Catholic College 18-19	10/04/19	Limited	7	18	4
2018/19-40 - Forster Park Primary 18-19	20/03/19	Satisfactory	2	11	6
2018/19-50 - St Mary Magdalen's Catholic Primary 18-19	13/05/19	Satisfactory	1	16	4
2018/19-54 - Kilmorie Primary 18-19	14/06/19	Satisfactory	1	13	8
2018/19-10 - Ashmead Primary 18-19	23/06/19	Substantial	1	3	2

School actions

- 10.2. The table below shows the status of open High and Medium actions. The percentage of overdue recommendation that are overdue has increased to 88%. While this is being tracked the reporting, which has to be completed manually as schools operate outside the Council's IT environment, updates are not being actively chased from schools due to other resourcing pressures and the recognition that the primary responsibility for completion of the actions rests with school governors.
- 10.3. This is a holding position pending conclusion of discussions with the new Education and Schools Improvement Director to bring forward a proposal of how to manage this going forward.
- 10.4. The status of the individual schools where actions are overdue can be found at appendix 5.

Month of meeting	Current no. of open actions	No. of overdue actions	Percentage of overdue actions to open
Jul 19	307	269	88%
Mar 19	253	191	76%
Dec 18	234	160	68%
Sep 18	148	99	66%
Jul 18	142	65	46%

School follow up reviews

- 10.5. There were no school follow up reviews issued since the last report.

11. Audit plan for 2019/20

- 11.1. The plan below is for information with the full more detailed plan to be presented to members in September for their final approval. The indicative plan for 19/20 core financial audits and schools audit can be found at appendix 7. This allocates approx. 270 days for corporate work and 145 days for schools work, and 50 days for service audits deferred from 18/19.
- 11.2. Given the delays with the 18/19 audit plan and discussed at the March Audit Panel, the intention is to start with the schools audits, audits deferred from 2018/19 and move on to complete the core financial audits by quarter three. There will then be the flexibility to focus the remaining audit days to other risks. This will be for up to a further twelve audits to address the identified risk areas of IT Security, Contract Management, and Project Assurance (as raised in respect of governance from the last Vale for Money opinion).
- 11.3. Currently the Council is implementing a range of IT security improvements and planning a number of key system changes (e.g. Housing and Licencing, Debt Management, Adult and Children Social Care, and completing the Oracle Cloud enhancements). The Council also continues to procure and commission a wide range of services to a value of over £200m annually for which the contract and performance monitoring has to be rigorous. Changes also require a range of improvements around behaviours (as identified in 18/19 compliance and procedures are areas for improvement) to develop and sustain the right culture for the organisation which are being driven through a range of programmes overseen by EMT. For these reasons, these are the areas that will be assessed for audit in the latter part of the year as the planned projects and changes are delivered and it is appropriate for them to be audited.

12. Progress with the 2019/20 plan to date

- 12.1. While the focus is on completing the 2018/19 plan, the 19/20 schools' plan has started and is underway, with one audit at draft, and 11 audits have had their school visit at the time of writing.
- 12.2. With the exception of three school audits that will be conducted in the school holidays (as agreed with the schools), all visits should be completed by mid-July. This will allow corporate internal audit work to start the 19/20 core financials in Qrt 3 so the issues of delivery experienced in previous years are avoided.
- 12.3. For the corporate plan, the contract management audits that were deferred from 18/19 plan are also underway.

13. Audit Charter for 19/20

- 13.1. The audit charter (appendix 8), details the role of internal audit. The main changes to the charter is the structure (more reliance on in-house staff). Apart from that there are no significant differences from the 18/19 charter.

14. Any other business

- 14.1. Due to the change in role of the Head of Corporate Resources to the Acting Chief Finance officer, the risk of conflicts of interest returned. External also identified this risk in their audit. The decision has therefore been taken to recruit to a dedicated Head of Internal Audit role with the work in progress to redefine this role as part of the Corporate Resources service and complete the recruitment.

15. Legal implications

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

16. Financial implications

- 16.1. There are no financial implications arising directly from this report.

17. Equalities implications

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

18. Crime and disorder implications

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

19. Environmental implications

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

20. Background papers.

- 20.1. There are no background papers.

If there are any queries on this report, please contact:

David Austin, Interim Chief Finance Officer, on 020 8314 9114, or email them at: david.austin@lewisham.gov.uk

Appendix 1 – Progress on the corporate audit plan 2018-19

Audit	Audit type	Milestone	Final Report Date	Assurance opinion	H	M	L
2018/19-43 - Adherence to the Local Government Transparency Code	Corporate	Final Report	12/10/18	Limited	1	3	-
2018/19-03 - Deprivation of Liberty Safeguards (DoLs)	Corporate	Final Report	19/10/18	Satisfactory	1	6	1
2018/19-04 - Apprenticeship Levy Spend including Professional Qualifications	Corporate	Final Report	27/09/18	Limited	3	8	-
2018/19-74 - Complaints (Corporate)	Corporate	Final Report	06/11/18	Satisfactory	-	6	1
2018/19-18 - Business Continuity Plans (BCP) - Core Processes	Corporate	Final Report	02/01/19	Satisfactory	1	3	-
2018/19-35 - Disability Facilities Grant (DFG)	Corporate	Final Report	17/12/18	Substantial	-	4	1
2018/19-57 - Treasury Management 18-19	Core Financial	Final Report	02/02/19	Substantial	-	5	3
2018/19-63 - Corporate Health and Safety	Corporate	Final Report	20/02/19	Substantial	-	1	1
2018/19-76 - Lewisham Services for Schools Website	Corporate	Final Report	03/03/19	Substantial	-	3	3
2018/19-23 - Payroll 18-19	Core Financial	Final Report	08/05/19	Satisfactory	-	5	-
2018/19-30 - Pensions and Investments 18-19	Core Financial	Final Report	14/03/19	Satisfactory	1	3	-
2018/19-34 - Direct Payments 18-19	Core Financial	Final Report	23/04/19	Satisfactory	-	12	1
2018/19-44 - Housing Benefit & Council Tax Reduction Scheme (CTRS) 18-19	Core Financial	Final Report	14/03/19	Substantial	-	1	1
2018/19-61 - Besson Street Project	Corporate Audit	Final Report	11/06/19	Satisfactory	1	5	-
2018/19-66 - Recruitment Process	Corporate Audit	Final Report	04/06/19	Satisfactory	-	1	-
2018/19-76 - Lewisham Services for Schools Website	Corporate Audit	Final Report	03/03/19	Substantial	-	3	3
2018/19-79 - Fostering Arrangements	Corporate Audit	Final Report	14/03/19	Satisfactory	-	7	-
2018/19-81 - Implementation of GDPR	Corporate Audit	Final Report	04/06/19	Substantial	-	2	-

Appendix 1 – Progress on the corporate audit plan 2018-19

Audit	Audit type	Milestone	Final Report Date	Assurance opinion	H	M	L
2018/19-32 - Performance Management Framework for Child Social Care (CSC)	Corporate Audit	Final Report	02/07/19	Satisfactory	-	2	1
2018/19-27 - Client Contribution for Care Provision 18-19	Core Financial	Draft Report					
2018/19-28 - Domestic Waste Management	Corporate Audit	Draft Report					
2018/19-56 - Homecare Service	Corporate Audit	Draft Report					
2018/19-78 - Special Educational Needs	Corporate Audit	Draft Report					
2018/19-14 - Capital Expenditure 18-19	Core Financial	Draft Report					
2018/19-07 - Accounts Payable 18-19	Core Financial	Review Stage					
2018/19-08 - Accounts Receivable and Debt Recovery 18-19	Core Financial	Review Stage					
2018/19-25 - Children in Need (CIN) Framework	Corporate Audit	Review Stage					
2018/19-26 - Payments to Child Care Provider and Foster Carers for Looked After Children 18-19	Core Financial	Review Stage					
2018/19-58 - OracleCloud - Financials - Post Implementation	IT Review	Review Stage					
2018/19-59 - OracleCloud - HR and Payroll Implementation	IT Review	Review Stage					
2018/19-69 - Icasework IT System	IT Review	Review Stage					
2018/19-15 - ASH - Debt Recovery System	IT Review	Review Stage					
2018/19-73 - Self Service IT processes	IT Review	Review Stage					
2018/19-77 - Payments to Adult Care Providers 18-19	Core Financial	Review stage					
2018/19-13 - Budget Setting and Monitoring 18-19	Core Financial	Review stage					
2018/19-65 - Pooled Budgets and Section 75 Payments	Corporate Audit	Exit meeting					

Appendix 1 – Progress on the corporate audit plan 2018-19

2018/19-21 - Non-Current Assets 18-19	Core Financial	Fieldwork End					
2018/19-19 - Main Accounting 18-19	Core Financial	Fieldwork on going					
2018/19-17 - Banking 18-19	Core Financial	Fieldwork on going					
2018/19-22 - Business Rates 18-19	Core Financial	Fieldwork on going					
2018/19-31 - Council Tax 18-19	Core Financial	Fieldwork on going					
2018/19-70 - New Phone System and BCP	IT Review	Fieldwork on going					
2018/19-80 - Supporting Families Programme Grant Certification 18-19	Grant	Ongoing	n/a	n/a	n/	n/a	n/a

Appendix 2 - Status of corporate actions.

Name of Audit (Corporate)	Opinion	Final Report Date	Actions Overdue		Actions taking over 12mth	
			H	M	H	M
Accounts Payable 17-18	Satisfactory	20/04/18				2
Accounts Payable 2016-17	Satisfactory	16/03/17		1		2
Accounts Receivable 17-18	Satisfactory	26/06/18				1
Adherence to the FOIA and DPA 17-18	Satisfactory	06/02/18				1
Adherence to the Local Government Transparency Code	Limited	12/10/19	3	10		
Adult Social Care System - Back up and BCP	Limited	04/04/16			1	1
Apprenticeship Levy Spend including Professional Qualifications	Limited	27/09/18	3	4		
Banking 16-17	Limited	18/05/17				1
Banking 17-18	Satisfactory	22/02/18			3	
Budget Monitoring and Setting 2017-18	Satisfactory	05/12/17		2		2
Business Continuity Management - Adult Social Care Providers	Limited	20/06/17		1		1
Client Contributions to Care Provision 16-17	Satisfactory	24/05/17				1
Data Breach Management	Limited	18/05/17				3
Direct Payments 17-18	Satisfactory	22/03/18				1
Disability Facilities Grant (DFG)	Substantial	17/12/18		5		

Appendix 2 - Status of corporate actions.

Name of Audit (Corporate)	Opinion	Final Report Date	Actions Overdue		Actions taking over 12mth	
			H	M	H	M
Expenses Reimbursed by Payroll 16-17	Satisfactory	30/01/17		1		1
Fostering Arrangements	Satisfactory	14/03/19		7		
Garden Waste Service 2017/18	Satisfactory	05/01/18		2		
Governor Services	Substantial	05/06/18		1		
Health Visiting	Limited	29/05/18			2	2
Homelessness Applicants 2017/18	Satisfactory	18/05/18		1		
Housing Benefit and Council Tax Reduction Scheme (CTRS) 18-19	Substantial	14/03/19		1		
ICT Disaster Recovery	Substantial	11/04/17				1
Initial Contact, Information and Advice	Consultancy	29/05/18				2
IT Helpdesk - Shared Services	Substantial	17/05/18		1		1
Lewisham Services for Schools Website	Substantial	03/03/19		3		
Main Accounting 17-18	Satisfactory	06/02/18	1		1	2
Mobile Devices Contract 16-17	Satisfactory	07/07/17				2
Monitoring of Child Care Providers	Limited	17/10/17		1	2	4

Appendix 2 - Status of corporate actions.

Name of Audit (Corporate)	Opinion	Final Report Date	Actions Overdue		Actions taking over 12mth	
			H	M	H	M
Multi-Agency Safeguarding Hub Arrangements 2017/18	Consultancy	28/09/17	1	5	1	5
Oracle Cloud - Migration 17-18	No Assurance	02/07/18	1			
Parking Contract 2017/18	Satisfactory	27/11/17				1
Passenger Services	Substantial	18/05/18				1
Payments to Adult Care Providers 17-18	Satisfactory	27/04/18		1		1
Payments to Care Providers and Foster Carers 2017-18	Satisfactory	19/03/18	1	1		
Payroll 2017-18	Substantial	05/12/17				1
Pensions 17-18	Satisfactory	15/01/18				1
Performance Indicators and Service Planning 17-18	Consultancy	21/07/17				1
Prepaid Cards 16-17	Limited	17/03/17				4
Public Sector Network 16-17	Limited	01/02/17				1
Recording of Safe Guarding – Section 42 Referrals	Limited	03/07/17		1		7
Reed Agency 17/18	Satisfactory	26/06/18				1
Schools' Catering Contract 16-17	Limited	03/03/17		3		3

Appendix 2 - Status of corporate actions.

Name of Audit (Corporate)	Opinion	Final Report Date	Actions Overdue		Actions taking over 12mth	
			H	M	H	M
South London and Maudsley NHS (SLaM)	Satisfactory	14/07/15		1		1
Synergy Application	Satisfactory	19/06/18	1	1		
Treasury Management 18-19	Substantial	02/02/19		1		
VAT 17-18	Limited	16/09/18	1	1	1	1
Vehicle and Fuel Maintenance	Satisfactory	19/06/17			1	1
		Total	12	56	12	61

Appendix 3 – Types of Controls

Finding	Compliance / Legal	Governance	Information Security	Other	Policies	Procedures
Caldicott Guardians have no had training.			2			
Declarations of Business Interests not complete		1				
Prospective foster carers were not notified of Stages 1 or 2 of the assessment process	1					
Service teams in their delegated authority to publish SLA's are not formally documented.						1
Formal feedback from users of the website had not been sought.				1		
Final decisions on fostering applications were not being made within the 8 month time frame						1
Leavers not taken off LBL systems in a timely manner			1			1
Policies and Procedures not all in place					1	
Appointment of (Joint Venture) Board Representatives were not current members of staff		1				

Appendix 3 – Types of Controls

Expired articles on the website are not being archived.						2
There were no procedure notes in place for staff to refer to when reviewing Stages 1 and 2 of the fostering application process.						1
Records of Member Meetings not sufficient enough		2				
Review of seven leavers identified three did not have their access to the website portal removed.			2			
Testing of eight 'form Fs', identified three forms that were not evidenced as approved by the Fostering Assessment and Recruitment Team Manager.						1
Records of Project Board Meetings not sufficient in details		2				
The first time password for registering for the website portal was published on the public website in guidance notes.			1			
There were no procedure notes in place for staff to refer to when a						1

Appendix 3 – Types of Controls

withdrawal request is made by a foster carer applicant.						
Although approval limits for Enhanced and Exceptional Payments were in place, these were not formally documented						1
Data was not encrypted			1			
Risk Registers and Reporting of Risks not fully in place		1		1		
There were no records of letters detailing payment decisions being sent to foster carers once an 'Enhanced and Exceptional Payment' had been approved.						1
TOTAL	1	7	7	2	1	10

Appendix 4 Progress on the Schools' Audit Plan for 2018-19

Audit	Status	Report date	Assurance opinion	H	M	L
2018/19-01 - Abbey Manor College 18-19	Final Report	16/11/18	Limited	2	11	3
2018/19-02 - St Michael's CE Primary School 18-19	Final Report	12/07/18	Substantial	1	4	7
2018/19-09 - Adamsrill Primary 18-19	Final Report	07/08/18	Substantial		3	6
2018/19-11 - Addey and Stanhope Secondary 18-19	Final Report	02/10/18	Satisfactory	1	12	7
2018/19-20 - Bonus Pastor Catholic College 18-19	Final Report	10/04/19	Limited	7	18	4
2018/19-24 - Chelwood Nursery School 2018-19	Final Report	01/12/18	Satisfactory		11	3
2018/19-29 - Conisborough College 18-19	Final Report	07/03/19	Limited	2	13	9
2018/19-33 - Deptford Green Secondary 18-19	Final Report	19/10/18	Limited	2	8	6
2018/19-37 - Edmund Waller Primary 18-19	Final Report	17/12/18	Satisfactory		12	5
2018/19-38 - Fairlawn Primary 18-19	Final Report	08/11/18	Substantial		1	4
2018/19-39 - Forest Hill Secondary School 18-19	Final Report	28/11/18	Satisfactory		9	7
2018/19-40 - Forster Park Primary 18-19	Final Report	20/03/19	Satisfactory	2	11	6
2018/19-41 - Prendergast Ladywell 18-19	Final Report	21/09/18	Substantial		8	1
2018/19-42 - St Margaret's Lee CE Primary 18-19	Final Report	17/09/18	Substantial		8	5
2018/19-45 - Prendergast Vale School 18-19	Final Report	27/09/18	Substantial		5	2
2018/19-46 - Sedgehill Secondary 18-19	Final Report	18/09/18	Satisfactory	2	9	1
2018/19-47 - Prendergast School (Secondary) 18-19	Final Report	27/09/18	Satisfactory	2	10	2
2018/19-48 - Launcelot Primary 18-19	Final Report	19/11/18	Satisfactory		12	7

Appendix 4 Progress on the Schools' Audit Plan for 2018-19

2018/19-49 - Watergate (special) 18-19	Final Report	16/10/18	Substantial		6	3
2018/19-50 - St Mary Magdalen's Catholic Primary 18-19	Final Report	13/05/19	Satisfactory	1	17	4
2018/19-51 - Kender Primary School 2018-19	Final Report	27/12/18	Satisfactory	2	10	6
2018/19-53 - Holbeach Primary School 2018-19	Final Report	15/01/19	Substantial		6	5
2018/19-54 - Kilmorie Primary 18-19	Final Report	14/06/19	Satisfactory	1	13	8
2018/19-10 - Ashmead Primary 18-19	Final Report	23/06/19	Substantial	1	3	2
2018/19-16 - Athelney Primary 18-19	Draft Report					
2018/19-52 - Sydenham Secondary 18-19	Draft Report					
2018/19-55 - Trinity All Through School 18-19	Draft Report					

Appendix 5 – Schools’ Progress on Recommendations

Name of Audit (Schools)	Opinion	H Actions Overdue	M Actions Overdue
Addey and Stanhope Secondary 18-19	Satisfactory	1	
Baring Primary School 2017-18	Satisfactory	3	10
Beecroft Garden Primary School 2017-18	Satisfactory		14
Bonus Pastor Catholic College 18-19	Limited	10	21
Brent Knoll School 2017-18	Satisfactory		15
Chelwood Nursery School 2018-19	Satisfactory		12
Conisborough College 18-19	Limited	4	13
Deptford Green Secondary 18-19	Limited	4	13
Edmund Waller Primary 18-19	Satisfactory		16
Elfrida Primary School 2017-18	Satisfactory		12
Fairlawn Primary 18-19	Substantial		1
Forest Hill School 2015-16	Satisfactory		2
Forest Hill Secondary School 18-19	Satisfactory		12
Forster Park Primary 18-19	Satisfactory	4	10
Holbeach Primary School 2018-19	Substantial		7
Horniman's School 16-17	Satisfactory		1
Kelvin Grove Primary School 2017-18	Substantial		2
Launcelot Primary 18-19	Satisfactory		16
New Woodlands School 17-18	Substantial		2
Prendergast - Hilly Fields 2015-16	Satisfactory		2
Prendergast Ladywell 18-19	Substantial		10
Prendergast School (Secondary) 18-19	Satisfactory	4	10
Prendergast Vale School 18-19	Substantial		4
Sandhurst Infants School 16-17	Substantial		2

Appendix 5 – Schools’ Progress on Recommendations

Sandhurst Junior School 16-17	Satisfactory		1
Sedgehill Secondary 18-19	Satisfactory	3	11
Sir Francis Drake Primary School	Substantial		8
St Augustine's Catholic Primary School	Substantial		1
St James Hatcham CE Primary School 2017/18	Satisfactory		16
St Margaret's Lee CE Primary 18-19	Substantial		10
St Saviour's RC Primary School 17-18	Satisfactory		1
St William of York Catholic School 17-18	Substantial		3
St Winifred's Catholic Primary School 17-18	Substantial		4
Watergate (special) 18-19	Substantial		11
TOTAL		33	274

Bonus Pastor Catholic College 2018-19

	Process Areas	High	Medium	Low
▲	1. Procurement	2	9	0
▲	2. Income	1	3	0
▲	3. Asset Management	1	1	0
●	4. Governance	0	2	3
●	5. Budget Monitoring	1	1	0
▲	6. Banking	1	0	0
▲	7. Payroll	1	1	0
★	8. HR	0	0	1
★	9. Information Security	0	1	0
Total		7	18	4
Key	★ Substantial	● Satisfactory	▲ Limited	■ No Assurance

Introduction

The background for this internal audit are included in the Terms of Reference 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.

On Friday 09/11/2018 the college became aware of an unpaid invoice from the school meal provider Chartwell's of £247,984.29. As a result an Interim

Bursar was appointed by the college to oversee the finance management of the college on the 12/11/2018.

After investigating the college finances, it was identified that since March 2018 a substantial number of financial transactions had not been processed on the finance management system (FMS), Wauton Samuel. This included:

- Financial journals such as income, expenditure, and payroll which are compiled by LBL School Finance (i.e. central income / expenditure); and
- Invoices sent to the school for payment (although suppliers were paid).

Due to the above, the Interim Bursar had to perform a full financial reconstruction of all the transactions that had been processed through the college main bank account for the financial year 2018/19.

At the time of the audit, the Interim Bursar had brought all bank reconciliations and VAT returns up to date.

Basis of Opinion

The assurance opinion is based on testing for the period of the scope of the audit, that covered 01/02/2018 - 31/01/2019.

Evidence of a number of financial processes prior to the appointment of the Interim Bursar could not be provided by the college. This included bank reconciliations and budget monitoring. These are high risk areas, which significantly impacts on the college's financial management.

In addition, during the audit a system error with the FMS meant that the college was prevented from producing some key reports, such as budget monitoring and cash reconciliation forms. However, this system error appears to be resolved at the time of writing the report.

The FMS is no longer supported by technical back up, and the college is moving to a new finance system, Capita SIMS in April 2019.

It should be noted that the college were fully cooperative during this audit, and helped to supply all documentation, and explanations when requested.

Assurance Opinion and Recommendations Made

Bonus Pastor Catholic College 2018-19 has been assigned a rating of Limited. The previous opinion from 2015/16 was Satisfactory.

To improve controls, recommendations are agreed by management. The number of recommendations and their categories were:

7 High recommendations, of these 3 were made in the previous report,

18 Medium Recommendations, of these 4 were made in the previous report, and

4 Low Recommendations.

Key Findings *indicates reoccurring recommendation

Appendix 6 –Limited School Executive Summaries

- * An accrual of approximately £200,000 for dinner money collected on behalf of Chartwell's, the school meal provider for 2016/17 and 2017/18 was not incorporated into the 2018/19 budget.
- * Procurement card statement reconciliations for the past 12 months could not be provided.
- * The college does not have an up to date asset register. In addition, an inventory check has not been carried out in the past year.
- For the financial year 2018/19, evidence of budget monitoring and forecasting could not be provided for the period April - December 2018.
- Reconciliation of six officer's salary payments to their contract of employment identified one officer was being overpaid. In addition, it was not possible to reconcile the salary of another officer as they were not recorded on the costing report received from Payroll.
- Re-performing the cash reconciliation for March 2018 identified some figures on the form did not agree with source documents. In addition, the cash reconciliation form as required by School Finance is not being completed.
- Testing of 24 purchases identified five invoices were not retained on file. In addition, VAT was reclaimed on four purchases without a valid VAT invoice.
- * Of the six purchases that required a purchase order (PO), a PO was not raised in five cases. In addition, of the one purchase with a PO, it was raised and authorised after the invoice date.
- * Of the two purchases above the college procurement threshold, evidence of quotations could not be supplied for both purchases.
- * Testing of 24 purchases identified one instance where the name of the supplier on the finance system did not agree to the name of the supplier on the invoice. In addition, there was three instances where the cheque number on the bank statement did not agree to the cheque number on the finance system.
- * There was no evidence of an IR35 assessment for two individuals being paid off payroll.
- A procurement card handed back by the card holder to a Senior Manager in 2016 was not cancelled with the bank. On the August statement, there was spend on the card of £1,025.
- It was not possible to verify the financial information presented to Governors agreed to the information on the finance system.
- One officer is using an administrator username for the finance system.
- Reconciliation of the college 2018/19 budget submitted to School Finance and original budget entered onto the finance system identified seven out of 23 expenditure CFR codes did not agree.
- Review of invoices issued in November 2018 for three lettings identified two instances where the charges did not agree to the college price list, two invoices were not paid as yet and two invoices were not inputted to the finance system.
- Review of three lettings identified all three had no application form on file.
- Testing of 24 purchases identified 12 were not paid within supplier payment terms.
- Testing of 24 purchases identified four had no evidence of an effective goods / services received check.
- The asset disposal policy does not impose a financial limit on the Head Teacher in his delegated authority to dispose of assets. In addition, the internal disposal of laptops were not authorised as per the policy.
- The college is currently unable to access the trip bank account as the two bank account administrators have left employment of the college. Payments for trips are being made from the college main bank account.
- The college two voluntary funds were not independently financially assessed in the last year.
- The lettings policy does not include an approved schedule of charges.

- There was no evidence of payroll reconciliations prior to November 2018. Review of the December '18 and January '19 payroll reconciliations identified they were not signed by the compiler and approver.
 - Vouchers and receipts to evidence petty cash spend prior to November 2018 could not be provided. In addition, six petty reimbursements since 12/11/18 were over the £50.00 limit.
-

Areas that worked well

- Invoices that were available had been authorised for payment appropriately.
 - The Governing Body and Finance Committee met as required, and minutes retained.
 - Register of Interest forms were in place for all Governors and staff with financial responsibility.
 - Evidence of right to work in the UK, DBS checks and satisfactory references are retained on staff personnel files.
 - The college data is backed up daily through a third party and is encrypted.
-

Monitoring of recommendations and follow up reviews

Officers are required to provide progress updates on High or Medium recommendations when required. A follow up review will take place in six months.

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 control

Appendix 7 –Audit Plans for 19/20

Type	Dir	Audit Name	Scope	Days	Start	Link to Risk Register	Conducted by
Core	CUS	Accounts Payable 19-20 (Core Financial Audit)	See previous audit for scope – Full scope when presenting draft plan.	19	Qrt 3		In-house
Core	CUS	Accounts Receivable and Debt Recovery 19-20 (Core Financial Audit)	See previous audit for scope	19	Qrt 3		In-house
Core	CUS	Banking 19-20 (Core Financial Audit)	See previous audit for scope	12	Qrt 3		In-house
Core	RRE	Budget Setting and Monitoring 19-20 (Core Financial Audit)	See previous audit for scope	10	Qrt 3		In-house
Core	CUS	Business Rates 19-20 (Core Financial Audit)	See previous audit for scope	12	Qrt 3		In-house
Core	RRE	Capital Expenditure 19-20 (Core Financial Audit)	See previous audit for scope	15	Qrt 3		In-house
Core	CUS	Client Contribution for Care Provision 19-20 (Core Financial Audit)	See previous audit for scope	15	Qrt 3		In-house
Core	CUS	Council Tax 19-20 (Core Financial Audit)	See previous audit for scope	15	Qrt 3		In-house
Core	COM	Direct Payments (Core Financial Audit) 19-20	See previous audit for scope	15	Qrt 3		In-house
Core	CUS	Housing Benefit and Council Tax Reduction Scheme (CTRS) 19-20 (Core Financial Audit)	See previous audit for scope	20	Qrt 3		In-house
Core	RRE	Main Accounting 19-20 (Core Financial Audit)	See previous audit for scope	15	Qrt 3		In-house

Appendix 7 –Audit Plans for 19/20

Core	RRE	Asset Management 19-20 (Core Financial Audit)	See previous audit for scope	12	Qrt 3		In-house
Core	COM	Payments to Adult Care Providers 19-20 (Core Financial Audit)	See previous audit for scope	15	Qrt 3		In-house
Core	CYP	Payments to Child Care Provider and Foster Carers for Looked After Children 19-20 (Core Financial Audit)	See previous audit for scope	16	Qrt 3		In-house
Core	RRE	Payroll 19-20 (Core Financial Audit)	See previous audit for scope	16	Qrt 3		In-house
Core	RRE	Pensions for LGPS 19-20 (Core Financial Audit)	See previous audit for scope	16	Qrt 3		In-house
Core	RRE	Treasury Management 19-20 (Core Financial Audit)	See previous audit for scope	12	Qrt 3		In-house
GEN	CUS	Schools' Finance	To review the framework, support and advice of the school finance team. - look at how they work out the funding, create the financial regulations and scheme of delegation, and process returns from schools.	12	Qrt 3/4	Unforeseen expenditure/loss of income from funding streams	In-house
GEN	CUS	Bereavement Services	To review the framework surrounding the bereavement services including payments and income	10	Qrt 3/4	Failure to manage performance leads to service failure	In-house
GEN	CUS	Rouge Landlords	To review the framework of rogue landlords. Including how to identify them, process of resolving issues including any legal action	15			
GEN	RRE	Planning Control	To review the framework of the planning control department	15	Qrt 3/4	Respond to legislative change	In-house

Appendix 7 –Audit Plans for 19/20

Follow Ups	All	Follow ups reviews on limited reports	Follow up on Limited and No Assurance Reports	35	Qrt 2-4	n/a	In-house
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School plan.

Type	Dir	Audit Name	Scope	Days	Start	Conducted by
SCH	SCH	Brindishe Green Primary	Procurement, Income, Asset Management, Governance, Banking, Budget Monitoring, Payroll, HR and Information Governance	6	Qrt 1/2	In-house
SCH	SCH	Brindishe Manor	As Above	6	Qrt 1/2	In-house
SCH	SCH	Clyde Nursery	As Above	6	Qrt 1/2	In-house
SCH	SCH	Dalmain Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	Deptford Park Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	Drumbeat Special School	As Above	7	Qrt 1/2	In-house
SCH	SCH	Good Shepherd Catholic School	As Above	6	Qrt 1/2	In-house
SCH	SCH	Holy Cross Catholic Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	Horniman Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	John Stainer Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	Lucas Vale Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	Marvels Lane Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	Myatt Garden Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	Rangefield Primary	As Above	6	Qrt 1/2	In-house

Appendix 7 –Audit Plans for 19/20

SCH	SCH	Rathern Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	Rushey Green Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	Sandhurst Junior (Primary from Apri 18)	As Above	6	Qrt 1/2	In-house
SCH	SCH	St Augustine's Catholic Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	St Joseph's Catholic Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	St Mary's CE Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	St Stephen's CE Primary	As Above	6	Qrt 1/2	In-house
SCH	SCH	Stillness Infant	As Above	6	Qrt 1/2	In-house
SCH	SCH	Stillness Jnr	As Above	6	Qrt 1/2	In-house
SCH	SCH	Torridon Primary	As Above	6	Qrt 1/2	In-house



Internal Audit Charter

2019-20

Last Reviewed: Mar 2019
Next Review : Mar 2020

Internal Audit Charter – 2019/20

Introduction

The main purpose of this charter is to provide the members and management on how the internal audit service will function in the coming year. It includes the roles and responsibilities of internal audit, including members and management responsibilities in relation to the council's control environment. It is split into sections six sections.

1. Public Sector Internal Audit Standards (PSIAS)

This section explains how the PSIAS which came in to force in April 2014, revised April 2016, evolved and what its objectives are. All public bodies' internal audit services have to adhere to these statutory set of standards. A definition of internal audit, mission, core principles and the reason for the charter are also included.

2. Statutory Framework

Internal audit is a statutory function that all public bodies are required to have. It is supported by various legislation, which this section details.

3. Internal Audit Structure

For 2019/20, the internal audit structure will consist of an in-house team supported by the Head of Audit and an Internal Audit Manager. External resources will support the team. The Head of Audit (HIA) is the Interim Chief Finance Officer and is part of the Senior Management Team.

4. Accountability

Internal audit are required to report their findings to individual managers, Internal Control Board (ICB) and the Audit Panel. The Audit Panel reports to the Public Select Accounts Committee, who in turn report to the Mayor and Cabinet and Full Council. This section also covers the current relationship between Internal Audit and External Audit.

5. Internal Audit Framework

Independence and Objectivity - Internal auditors are required to be independent and objective. The Internal Audit Manager monitors and controls the conflicts of interests of the team (including contractors) and those of the Head of Internal Audit who has other operational responsibilities.

Resourcing Internal Audit – this will be the first year where an in-house team will formally be resourced and form a significant part of the internal audit service. External resources, from both public and private internal audit sectors, will support them in the delivery of the internal audit plan.

Types of Audit Reports – in addition to the individual audit reports, internal audit reports quarterly to the (ICB) and Audit Panel. The Schools Forum receives an annual report on the schools audited during the year. The HIA produces an annual assurance report that is presented to ICB and the Audit panel, which provides an opinion on the overall control environment.

Types of Work Conducted – Assurance work, which provides an opinion on controls is the most common type of work, with Consultancy (advisory) and grant certification taking a small part of the plan. Advice is provided to management when requested including attending project meetings.

Authorisation and Management Responsibilities – the Executive Director of Resources and Regeneration has given internal auditors and AFACT investigators the authority to access all council areas, including records and premises. Management are responsible for the control environment and have a duty to ensure that the audit process runs smoothly.

6. Professional Codes of Conduct and Whistleblowing

All internal auditors are required to adhere to their own professional body's code of conduct, including being mindful of the seven principles of public life. Internal audit annually review the compliance with the CIPFA guidance on the Role of the Head of Internal Audit.

The Whistleblowing policy and details on how to report fraud or suspected fraud are found in this section.

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1. The Charter and Public Sector Internal Audit Standards

PSIAS

- 1.1. The Public Sector Internal Audit Standards (PSIAS), developed in collaboration by a number of bodies, including Chartered Institute of Internal Auditors and the Chartered Institute of Public Finance and Accounting (CIPFA), came into effect on the 1 April 2013. The PSIAS was revised in April 2016. The statutory standards were developed to create consistency in the practice of internal audit and establish the basis for quality assurance across the public sector.
- 1.2. The objectives of the PSIAS are to:
- Define the nature of internal auditing within the UK public sector;
 - Set basic principles for carrying out internal audit in the UK public sector;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 1.3. The PSIAS state that an independent external assessment of the Internal Audit Service is to be conducted at least every five years. However, an assessment (whether internal or review by a peer) should be done annually and results reported in the annual assurance report. Lewisham's first formal independent external assessment took place in 2015/16.

Core Principals for the Professional Practice of Internal Auditing

- 1.4. To be an effective internal audit service, all of the core principles should be in place and adhered to. Failure to achieve any of the principals could imply that the internal service is not as effective as it could be.
- 1.5. The core principals are:
- Demonstrates integrity.
 - Demonstrates competence and due professional care.
 - Is objective and free from undue influence (independent).
 - Aligns with the strategies, objectives, and risks of the organisation.
 - Is appropriately positioned and adequately resourced.
 - Demonstrates quality and continuous improvement.
 - Communicates effectively.
 - Provides risk-based assurance.
 - Is insightful, proactive, and future-focused.
 - Promotes organisational improvement

Internal Audit Mission

- 1.6. The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the Mission. It also aims to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition of Internal Auditing

- 1.7. The Global Institute of Internal Auditors definition is: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

Anti-Fraud and Corruption Team (A-FACT)

- 1.8. In Lewisham, A-FACT conduct the investigational side of Internal Audit. They are responsible for developing anti-fraud policies and procedures, promoting a counter fraud culture, and undertaking investigations of potential fraudulent activity committed against the Council. A-FACT also ensures that appropriate sanctions, including prosecution and the

recovery of assets where applicable, are sought where fraud is proven. The Council's A-FACT policy and strategy is separate to this internal audit charter.

[Purpose of Internal Audit and A-FACT](#)

- 1.9. Internal Audit and A-FACT are council resources that assist management in the achievement of the Council's corporate and service objectives. While management are responsible for risk management and the control environment, internal audit assists management in providing advice on how to mitigate these risks and how to improve the control environment.

2. Statutory Framework

- 2.1. As defined by the following acts and guidance listed below, Internal Audit is a statutory function of the Council (and other public bodies). This means that the Council is required to have an internal audit function, whether it is in-house, outsourced or a combination.

[The Accounts and Regulations 2015 \(England and Wales\) – Part 2 Internal Control 5.1](#)

- 2.2. This Act requires the Council to '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'.

[Local Audit and Accounts Act 2014 – Section 32 \(g\),](#)

- 2.3. "The Secretary of State may by regulations applying to relevant authorities other than health service bodies make provision about— (g) the maintenance by relevant authorities of systems of internal control (including arrangements for the management of risk).

[Section 151 of the Local Government Act 1972](#)

- 2.4. This act states that every local authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

[The Council's Chief Financial Officer \(CFO\)](#)

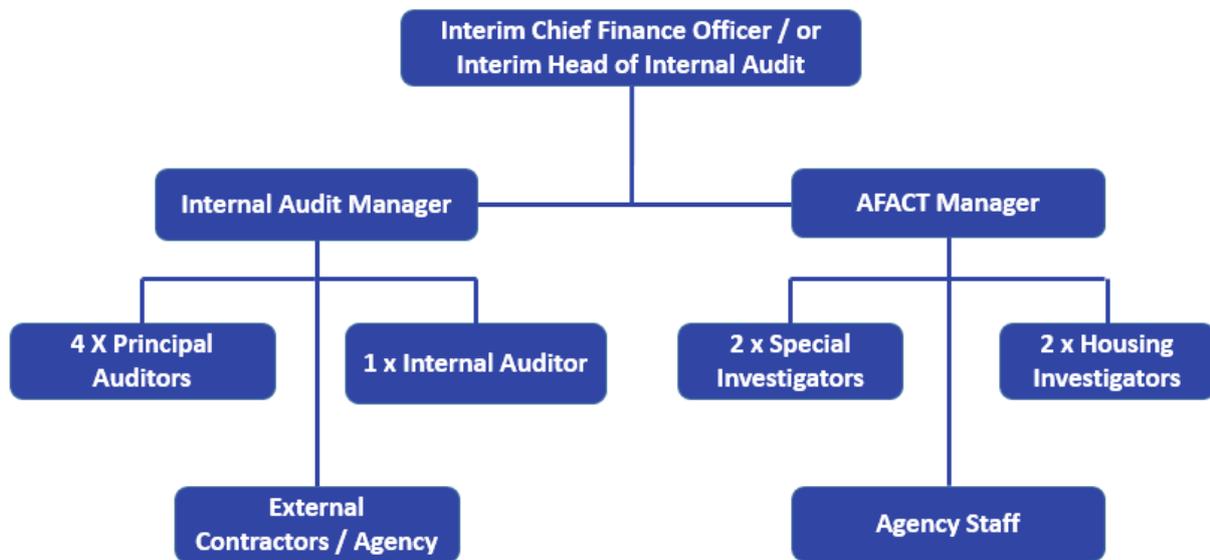
- 2.5. This role is fulfilled by the Executive Director for Resources and Regeneration. The CIPFA Statement on the Role of the CFO in Local Government states that they "must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively".

3. Internal Audit and Organisational Structures

- 3.1. Internal Audit and A-FACT are part of the Corporate Resources service area that sits within the Resources and Regeneration Directorate. The Head of Internal Audit (HIA) is also the Interim Chief Finance officer, and 151 officer. The HIA reports directly to interim Chief Executive, who is also.

[Internal Audit Structure Chart](#)

- 3.2. For 2019/20, the structure is made up of mainly in-house staff.
- 3.3. A temporary Head of Audit is being recruited to cover until the new Chief Executive is appointed. This is because currently the interim Chief Finance Officer has too much conflict of interest, (perceived or real) in their interim role. At the time of writing this charter, the post was not yet filled.
- 3.4. The chart also shows the AFACT team structure.



Senior Management Structure

- 3.5. The top tier management for Resources and Regeneration chart shows where the HIA (Head of Corporate Resources) sits within the senior management structure of the Council. The Council’s senior management structure charts can be accessed via the link below.

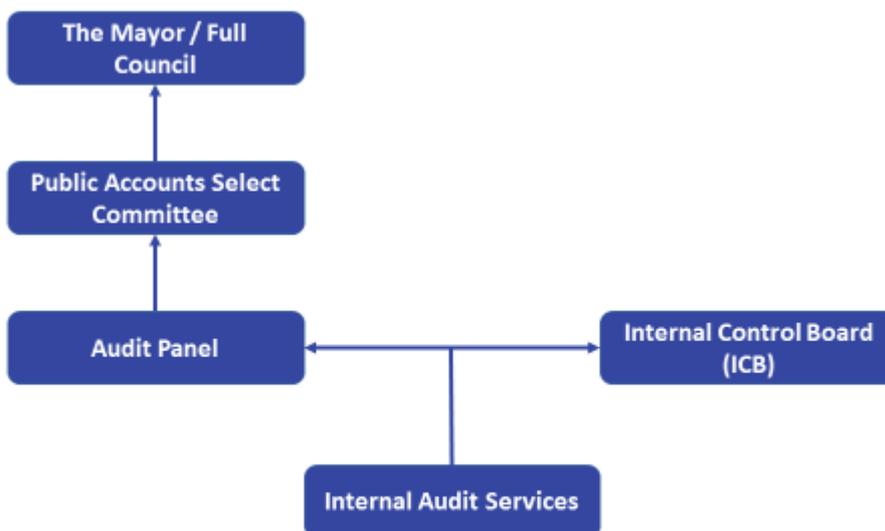
<https://lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/council-structure/management-structure-charts>

4. Accountability

- 4.1. In addition to reporting to the Section 151 Officer, the HIA reports directly to the Internal Control Board (ICB) and the Audit Panel on a quarterly basis

Internal Audit Reporting Lines

- 4.2. Please see a simple structure showing the reporting lines for internal audit in relation to management and members.



- 4.3. A link to Council's Constitution is provided below, which details the whole governance of the Council.
<https://lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/our-constitution>

Internal Control Board (ICB).

- 4.4. The HIA reports to the ICB quarterly and reports on:
- Progress of the internal audit plan, including follow-up reports
 - Limited, No Assurance and Consultancy reports.
 - High and Medium Recommendations not agreed by management
 - Progress by management of the implementation of recommendations made

The HIA reports annually on the:

- Proposed annual audit plan
- Annual Assurance report and
- Audit Charter

- 4.5. Membership of this board consists of an Independent Non-Executive Chair (external person), the Executive Directors, the Chief Executive Officer, the Head of Law, and the Group Manager of Insurance and Risk. The HIA reports quarterly to ICB. Please see Appendix 1 for the ICB terms of reference.

Audit Panel

- 4.6. The HIA also reports to the Audit Panel on a quarterly basis. The Audit Panel report has the same content as the ICB report. The Audit Panel consists of six Non-Executive Councillors, one of which serves as the Chair. In addition, there are up to four Independent Members.

- 4.7. In addition, the remit of the Audit Panel (in terms of internal audit), is to receive, review and, where appropriate, advise and make recommendations on the following:
- Review and approve the Internal Audit Strategy / Charter, Plans and Resources;
 - Review the progress reports on the Internal Audit Function;
 - Review the HIA Annual Assurance report;
 - Review the progress of implementation of recommendations; and
 - Monitor the effectiveness of Risk Management and associated Anti-Fraud and Corruption arrangements.

The Chair of the Audit Panel reports to the Public Accounts Select Committee (PASC) at least once a year.

Public Accounts Select Committee (PASC)

- 4.8. PASC consists of at least seven and no more than 11 non-Executive Councillors. The remit in terms of Internal Audit is to:
- Receive reports from the Audit Panel; and
 - Scrutinise the effectiveness of the Audit Panel.

For the full terms of references for the PASC, please refer to the link below to the Council's Constitution.

<https://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/Pages/Our-constitution.aspx>

External Audit

- 4.9. External audit are independent of internal audit and the council. Their main role is to certify the Council's financial statements. Although they review the controls in relation to financial statements, they do not provide an opinion on the effectiveness of them.
- 4.10. Internal audit issue all final assurance reports to external audit and the files are available to them to view if required.

Schools' Forum

- 4.11. In addition to the above, internal audit report to the Schools' Forum annually. This is forum is made up of staff from schools, such as Head teachers and School Governors. Officers from the council are also attendance. This forum is not members' lead.

5. Internal Audit Framework

Independence and Objectivity

- 5.1. A definition of independence (in relation to Auditors') is, "The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner".
- 5.2. PSIAS definition of objectivity: "An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors to not subordinate their judgment on audit matters to others".
- 5.3. Internal auditors are mandated by the PSIAS to be independent and objective concerning the business activities they audit. The HIA and Internal Auditors, who may have conflicts of interests either real or perceived, must declare them to the Internal Audit Manager. This is in addition to any declarations that they council may require. The Internal Audit Manager will monitor these conflicts to ensure that they do no impact on the internal audit service.
- 5.4. The Internal Audit Manager will declare any interests to the HIA for him to monitor.
- 5.5. As the HIA has other operational activities not relating to internal audit, the HIA has delegated the responsibility for agreeing the scope of the audit to the operational manager with the Internal Audit Manager overseeing the work to ensure that it fulfils internal audit requirements. In these audits, the Internal Audit Manager will operate independently from the HIA, and report to the CFO.

Resourcing Internal Audit

In-house Internal Audit Team

- 5.6. The in-house team will be responsible for
- Conducting internal audits and follow-up reviews;
 - Monitoring any internal audit contracts and liaising with partners;
 - Monitoring and reporting on the progress of management actions (recommendations) to ICB and Audit Panel;
 - Assisting the HIA in the annual audit planning process;
 - Providing management information as requested;
 - Assisting the HIA in preparing the annual assurance report; and
 - General management of the internal audit function.

Internal Auditors (Contractors / Outside partners) and Agency staff

- 5.7. The following will support the in-house team to complete the audit plan.
- Mazars – (under the London Borough of Croydon Framework)
 - Agency staff through REED

Head of Internal Audit (HIA)

- 5.8. In addition to the internal audit and A-FACT, the HIA has operational responsibilities within the Council. They are:
- Insurance;
 - Risk Management;
 - Corporate Health & Safety;
 - Procurement; and
 - Strategic Finance, including Treasury and the Pension Fund investments and accounts.
- 5.9. In addition to the above, since September 18, the HIA took additional responsibilities due to the change in the Chief Executive. The HIA is temporary taking over some of the

responsibilities of Executive Director for Resources and Regeneration, while they are acting up as Chief Executive. This includes the role of section 151 officer and overseeing Regeneration and Place service.

- 5.10. Insurance, Corporate Health and Safety, AFACT and Risk Management have a three-year audit cycle. Procurement and Strategic Finance will continue on an annual audit basis.

[Productive Days](#)

- 5.11. The corporate audit plan for 2019/20 consists of approx. 850 days productive days and up to 55 reviews. Due to the issues during the year with recruitment, resources and change of senior management the more detailed break down of the plan is still to be finalised.

However, it is expected to be broken down as follows:

- Core Financial Audits 270 days / 17 audits (confirmed);
- Schools 145 days / 24 audits (confirmed);
- Risk based service reviews; including IT Systems, Contract Management, and Project Assurance audits – 245 days
- Follow up – 35 days;
- Management review – 100 days;
- Grant certification – 5 days (confirmed); and
- 50 days contingency.

- 5.12. IT Audits, General and Contract audits days to be confirmed on conclusion of the delayed 18/19 work. As the school audits are being conducted in Quarters 1 and 2, this allows time to produce an audit plan that prioritises the core financial audits and matches the focus of remaining assurance work to key risk areas, rather than rolling forward a similar a similar plan to previous years.

- 5.13. The HIA will ensure that there are enough resources and qualified staff to provide the annual opinion on the control environment of the Council. Where the HIA believes that there are insufficient resources, they will bring this to the attention of the Section 151 officer and the Audit Panel, and a qualification to the annual assurance report may be required.

[Anti-Fraud and Corruption Team \(A-FACT\)](#)

- 5.14. The team is made up of five full time permanent staff supported by agency staff where required. The team's main areas of work are Housing investigations, Special Investigations and fraud awareness training.
- 5.15. In addition, AFACT are the main point of contact for the National Fraud Initiative (NFI) that is run every two years by the Cabinet Office (previously overseen by the Audit Commission).

[Types of Audit Reports](#)

[Quarterly and Other Annual Reports](#)

- 5.16. Internal audit reports to ICB and the Audit Panel on a quarterly basis.

- 5.17. Annually, internal audit reports to the Schools' Forum on the schools' audit plan and control issues found during the year.

[Annual Assurance Report](#)

- 5.18. The HIA issues an annual assurance report to the Audit Panel. This informs the Annual Governance Statement (AGS) which incorporates the Statement of Internal Control. The HIA annual assurance report includes:

- An opinion on the overall adequacy and effectiveness of the Council's control environment;
- Any qualifications to the opinion;
- Summary of audit work completed that helped form the opinion;
- Summary of reliance placed on the work by other assurance bodies;
- Confirmation on compliance with the PSIAS (including role of HIA if applicable); and
- Internal Audit's quality assurance and improvement plan.

Individual Audit Reports

- 5.19. For each individual review, (whether assurance or consultancy), management receive a report with the following information.
- Audit opinion of the controls in place (for assurance reviews only);
 - Executive Summary;
 - Agreed ToR, including any changes to the original scope;
 - Auditor findings;
 - Recommendations made (ranked high, medium or low),
 - Management actions on how to implement the recommendations, and
 - Management comments, including the expected date of implementation of recommendations and officer responsible for implementing them.

Types of Work Conducted

Assurance Review

- 5.20. An Assurance review is an objective assessment that provides an opinion on the effectiveness of the controls in place. In addition, internal auditors will recommend actions to management on how to improve controls in their area.
- 5.21. Internal audit follows-up on any audits Limited, No Assurance or Consultancy review, normally within six months of the final report.
- 5.22. For Assurance reviews, internal audit report by exception, which means the report only contains detail those areas where controls need to be improved. This type of review should form the majority of the work in the internal audit plan.

Consultancy Review

- 5.23. A consultancy review is an advisory review that intends to add value and improve the Council's governance, risk management and controls processes. Management agree the scope of the review. Internal audit does not provide an opinion on the effectiveness of the controls in place but does provide recommendations to management to improve the processes and/or controls. Internal audit follows-up on any audits with High or Medium recommendations made, six months from the final report.
- 5.24. Consultancy reviews make up a small part of the audit plan. Where the plan is made up of significant consultancy work, the Audit Panel would need to approve the request before the work is committed to.

Advice

- 5.25. It is not always appropriate to conduct an assurance or consultancy review when management just require help and advice. Where internal audit provides advice to management or attends a project meeting to give advice, management will receive an informal memo detailing any advice or recommendations made. An opinion is not provided in these memos and any recommendations made to management are not monitored or followed-up by internal audit.
- 5.26. Where an auditor has provided significant advice to management, they will be prevented from auditing that area for the next 12 months (or longer if applicable), so that internal audit independence and objectivity is retained.

Grant Claims

- 5.27. Central Government Bodies sometime require internal audit to certify a grant claim. In these instances, internal audit will confirm if management have met the qualifying criteria of the grant. A memo type report is issued to management certifying the grant where needed. Any recommendations to management are not normally monitored or followed-up by internal audit.

Authorisation and Management Responsibilities

Authorisation

- 5.28. Both the HIA and the Internal Audit Manager have unrestricted access to the:
- Chief Executive Officer;

- Executive Director of Resources and Regeneration (Section 151 officer/ CFO); and
- The Chair of the Audit Panel.

5.29. The CFO has given authorisation to all Internal Auditors (both in-house, agency staff and contractor) and A-FACT staff to:

- Enter Council premises at all reasonable times;
- Have access to and remove as necessary Council records (paper or electronic);
- Require explanations from Council officers as necessary; and
- Require any person holding Council property to produce it for examination.

Responsibility of Management

5.30. Management are responsible for the control environment. They also have a responsibility to assist internal audit in the audit process to ensure it runs as smoothly as possible. They should ensure that they:

- Respond to any requests for information promptly;
- Do not cancel meetings with auditors unnecessarily;
- Query any findings or recommendations prior to the finalisation of the audit.
- Update the progress of implementation of their management actions when required.

Management may be required to attend the Audit Panel to explain to members if they do not comply with any of these requirements.

6. Professional Codes of Conduct and Whistleblowing.

6.1. Internal Auditors (both in-house and contractors) must adhere to their professional bodies codes of conduct. In addition, they should adopt the CIIA Code of Ethics, and Seven Principles of Public Life.

IIA Code of Ethics

6.2. The CIIA Code of Ethics is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing.

Integrity - The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Objectivity - Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Confidentiality - Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competency - Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Seven Principles of Public life

6.3. The 'seven principles of public life' apply to anyone who holds a public office or works in the public sector. Internal auditors have adopted these principles in addition to adhering to internal code of conduct. They are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

Role of Head of Internal Audit

6.4. CIPFA issued the statement on the role of the Head of Internal Audit in December 2010. Although not a mandatory like the PSIAS, the statement provides the framework to ensure that the HIA role is up to the required standard to run the statutory internal audit function. The framework consists of five principles. The Role of the HIA is reviewed annually and is reported in the Annual Assurance Report. The main principals are:

- Principle 1 – Championing best practice in governance,
- Principle 2 – Objectivity,
- Principle 3 – Governance,
- Principle 4 – Leadership, and
- Principle 5 – Qualification and Experience.

Whistleblowing Policy

- 6.5. The Whistleblowing policy (see link below) is overseen by Legal, but any fraud or concerns about fraud can also be reported to A-FACT.

Whistleblowing Policy

<https://lewisham.gov.uk/mayorandcouncil/complaints-and-feedback/whistleblowing>

How to report fraud

Telephone 24hr: 0800 0850 119

Email: reportfraud@lewisham.gov.uk

Website detailing the types of fraud the A-FACT can investigate:

<https://lewisham.gov.uk/mayorandcouncil/aboutthecouncil/fraud>

7. Approval and Contacts

- 7.1. Main Contacts for Internal Audit and A-FACT

Head of Internal Audit (Interim Chief Finance officer) – david.austin@lewisham.gov.uk

Internal Audit Manager – julie.hetherington@lewisham.gov.uk

A-FACT Manager – carol.owen@lewisham.gov.uk

- 7.2. Charter Approved by Audit Panel on : July 19(TBC)

- 7.3. Next Review : March 2020

Appendix 1 – Corporate Internal Control Board Terms of Reference

Corporate Internal Control Board

Membership

- Independent non-executive Chair
- Chief Executive
- Executive Director for Resources & Regeneration
- Executive Director for Children & Young Persons
- Executive Director for Community Services
- Executive Director to Customer Services
- Head of Law
- Group Manager Insurance & Risk
- Head of Corporate Resources (for monitoring and control)

Terms of Reference

1. To identify and manage key strategic risks that could prevent the Council from meeting its objectives
2. To link risks to the corporate priorities and assess the likely impact and consequences of those risks
3. To allocate responsibilities for controlling identified risks
4. To complete the Corporate Risk Register, reviewing and monitoring this on a quarterly basis
5. To receive regular reports on Internal Control within the Authority
6. To ensure a corporate approach to the management of risk, health and safety and emergency planning
7. To approve the Risk Management Policy and Risk Management Strategy
8. To support the risk management reporting and review framework, detailed in the Risk Management Strategy
9. To oversee the annual review of the System of Internal Control and Annual Governance Statement

Frequency of Meetings

Quarterly

Accountability and Links

- Informs EMT and Mayor & Cabinet quarterly of the risk status against the ten corporate priorities in Management Report