

Internal Audit - Annual Assurance Report 2019/20

1. Executive Summary

- 1.1. This report outlines work that has been carried out for the year ended 31 March 2020, which supports the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for 2019/20.
- 1.2. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed during the year. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Panel, which is designed to provide a reasonable level of assurance, subject to the inherent limitations described below and set out in **Annex 7**. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.3. Internal audit work was performed in accordance with the Council's methodology, which conforms to the PSIAS. The Head of Internal Audit for 2019/20 was the Interim Chief Finance Officer, with operational responsibility for the in-house Anti-Fraud and Corruption Team (A-FACT), Insurance and Risk Management, Corporate Health & Safety, Commercial and Procurement Support, Strategic Finance, Pension Fund, and Treasury Management and line management of the Financial Services, Public Services and IT & Digital Directors. Any potential conflicts of independence, which could have arisen due to operational responsibilities, were mitigated throughout the period as set out in the Internal Audit Plan. Therefore, Internal Audit has been organisationally independent of the services under review, which has facilitated unlimited scoping and objectivity of audit activities. The performance of the Service against key indicators is summarised in **Annex 5**.
- 1.4. Due to the impact of Covid-19 in March 2020 and the Council's priority to delivery critical frontline services, there was an impact on managing and closing out some of the planned audits in the period, as it affected the availability of audit stakeholders and also led to the redeployment of Internal Audit staff to assist in delivering these services. This was compounded by delays due to resource constraints experienced earlier in the year, which resulted in scheduling of audits in the last quarter. Therefore, a number of reviews scheduled to be finalised by 31 March 2020 were not completed until the second quarter of 2020/21 and some audit work was cancelled.
- 1.5. The annual Internal Audit report is timed to inform the organisation's Annual Governance Statement.

Head of Internal Audit's opinion

- 1.6. Internal Audit is satisfied that sufficient internal audit work has been undertaken, albeit on a reduced audit plan, to support an opinion about the adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control (i.e. the system of internal control).
- 1.7. Definitions of the range of opinions that could be given are provided in **Annex 1**.
- 1.8. The Head of Internal Audit's opinion is that the system of internal control for 2019/20 is:

Satisfactory
<i>"I have considered all of the work undertaken and reported on by the Internal Audit Service, Anti-Fraud and Corruption Team, Risk Management and other sources of assurance available to the Council for the audit year 2019/20. I have also sought the views of the Internal Audit Manager given the potential conflicts from my wider management responsibilities during the year."</i>

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Satisfactory

1. *In my opinion, ‘Satisfactory’ assurance can be placed on the adequacy and effectiveness of the Council’s corporate internal control framework. In addition, ‘Satisfactory’ assurance can be placed on the Schools internal control framework.*
2. *This opinion is expressed using the same scale used for internal audit report opinions. The scale ranges from Substantial to Satisfactory, through to Limited and No Assurance. Definitions are provided at **Annex 1**.*
3. *Whilst governance, risk management and control in relation to business critical areas is generally satisfactory, there are some areas of weakness and non-compliance in the framework of internal control which potentially put the achievement of objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of the system of internal control. In particular:*
 - *We have identified a number of high and medium-rated weaknesses in individual assignments which we believe are not significant in aggregate to the overall quality of the internal control system. None of our assignments identified weaknesses that were assessed as critical risk; and*
 - *None of our assignments provided ‘No Assurance’. In our view, the weaknesses identified in Limited assurance reports are isolated to the specific systems or processes reviewed.*
 - *On 23 March 2020, the UK was put into lockdown in response to the Covid-19 pandemic. The impact of the pandemic on all organisations has been significant and, for many, its full extent has not yet been determined. Assurances for two audits could not be assessed as sufficient evidence could not be provided to enable testing of effectiveness. As such our opinion is subject to the identification of issues that could arise from the emergency response to the pandemic.*
4. *There has been limited success in the implementation rate for management actions that have been agreed as a result of internal audit work. The outcome of follow-up work shows that 64% of agreed actions have been fully implemented. This remains an area of concern, which will be addressed during 2020/21.”*

Further details are provided in Section 2: Basis of the Audit Opinion.

2. Basis of the Audit Opinion

2.1. In determining the overall opinion for 2019/20, consideration has been given to a number of key improvements to governance arrangements that have been identified by audit work, as well as the regular review of sources of assurance by the Executive Management Team. However, the opinion is based on the following:

Assurances and risk profiles from all audits undertaken during the year

2.2. An Internal Audit Plan identifying 69 assignments (32 corporate, 24 schools, 1 grant certification and 12 follow-ups) for 2019/20 was approved by the Audit Panel in September 2019. This was designed to focus on key risks facing the Council and was updated throughout the year to ensure that Internal Audit continued to focus on key risks. However, there were nine audits and four follow up cancelled or deferred. These changes are summarised in Annex 3. None of the cancelled/deferred reviews related to core financial audits.

Appendix 1

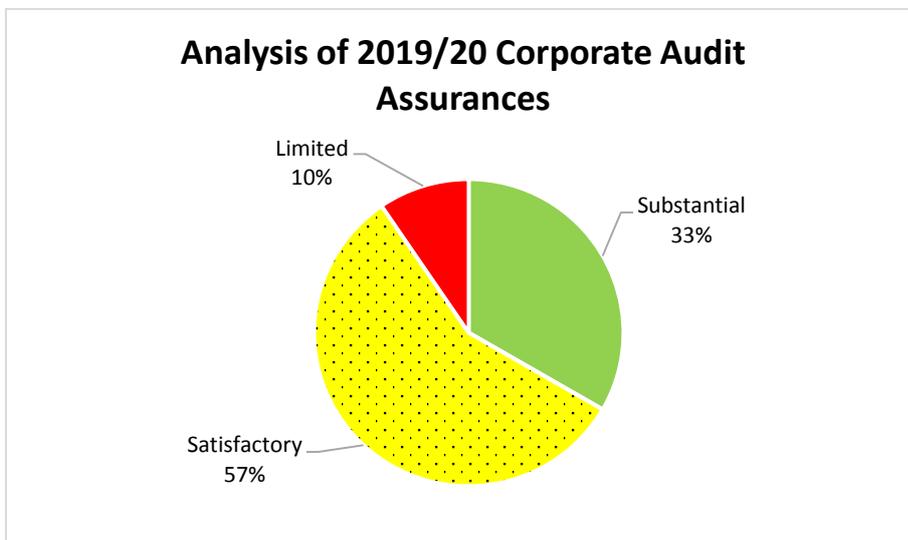
2.3. Therefore, the annual opinion is based on 56 reviews, of which 45 (23* corporate and 24 school) assessed the level of control in terms of an overall assurance opinion. The remaining assignments were not assessed as it was not appropriate to provide an audit opinion due to the type of review (for example grant certification or follow-up review).

*Of the 23 corporate reviews, there were two where testing of effectiveness was not undertaken in full and therefore no opinion could be provided.

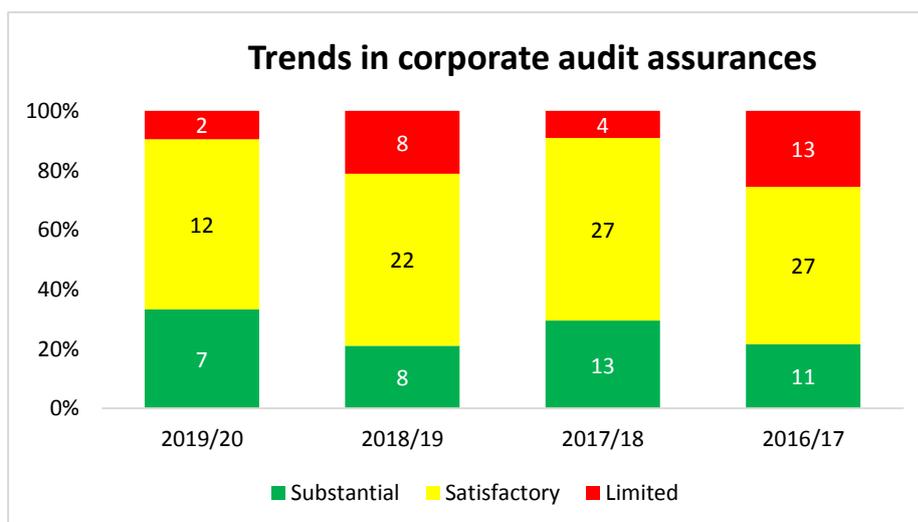
2.4. Final reports have been issued for 100% of completed reviews. Details of all assignments undertaken during the year are provided in Annex 2.

Corporate audits

2.5. Overall, positive assurances (Substantial and Satisfactory opinions) were provided for 90% of corporate (non-school) audits, and negative assurances (Limited and No Assurance opinions) were provided for 10%. The chart below summarises the assurances provided for corporate audits undertaken in 2019/20.



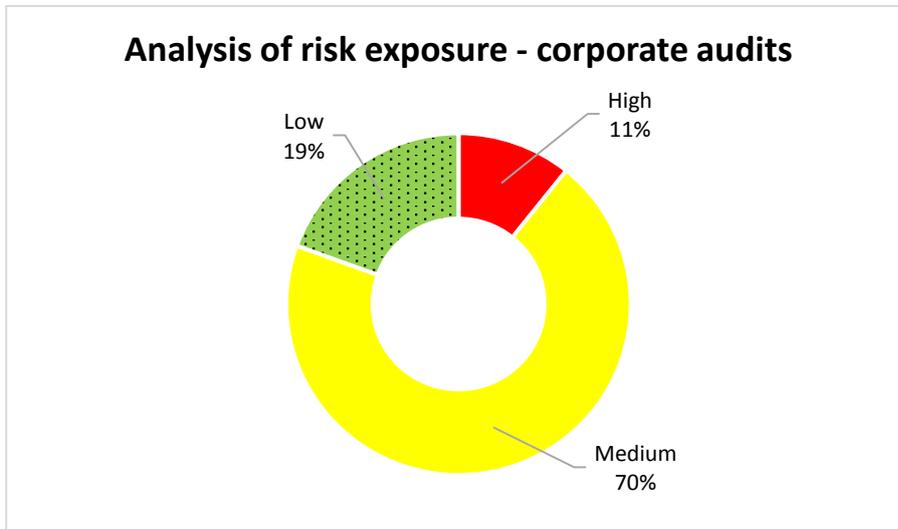
2.6. The trends for assurance opinions over the last four years are analysed in the following chart. This shows that the proportion of audits with overall negative assurances issued through the Internal Audit Plan has fluctuated, but trending towards improvement.



2.7. The scope of each corporate audit was designed and agreed individually in consultation with the appropriate service manager, to ensure review of controls in place to address inherent and external risks that could prevent achievement of the service objectives. Many of the core financial audits were undertaken to achieve a more in-depth review than had been delivered in the past. Internal

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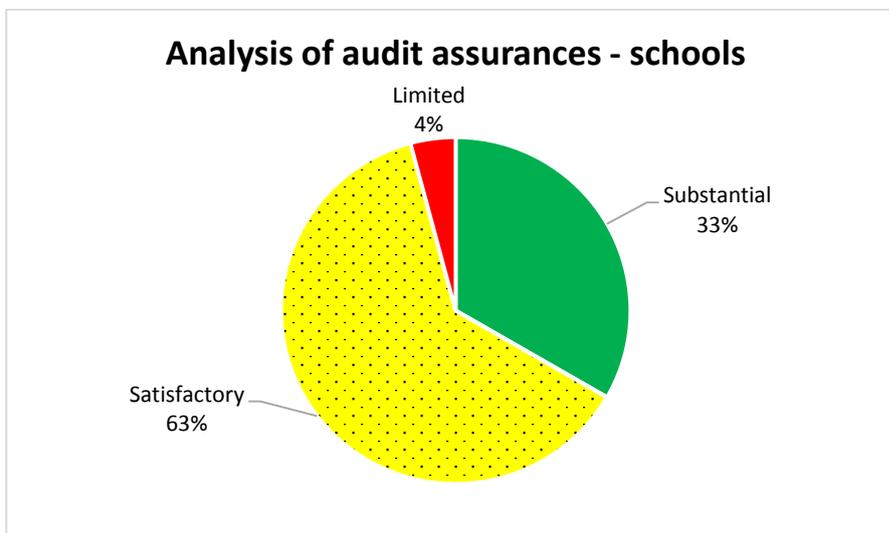
Audit identified 149 areas (recommendations) for improvement through the corporate reviews conducted during 2019/20, including 16 assessed as High risk. The risk ratings for findings identified across all corporate reviews are summarised in the following chart:



The chart shows that the majority of issues identified (70%) were assessed as Medium risk (104 recommendations raised), with 11% (16 recommendations) assessed as High risk.

School audits

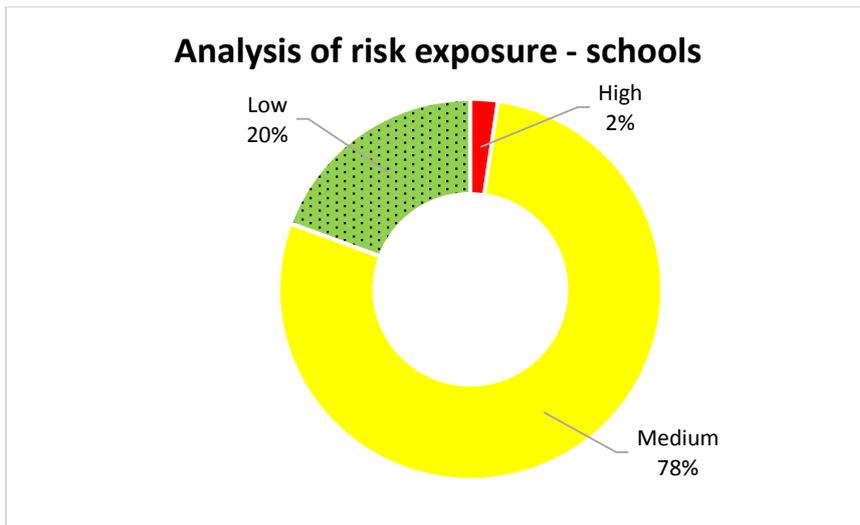
2.8. The Council's schools are audited over a three year cycle. There were 24 schools visited during 2019/20. Of these, 96% received positive assurance opinions with 4% receiving negative assurances, as summarised in the following chart.



2.9. The scope of school audits covered compliance with procedures for procurement, income, asset management, governance, budget monitoring, banking, payroll, human resources (safeguarding) and information security.

2.10. The majority of issues identified (78%) were assessed as Medium risk, with 271 recommendations raised. In addition, 2% of issues identified (8 recommendations) were assessed as High risk. Results are summarized in the following chart:

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Managers' implementation of improvements

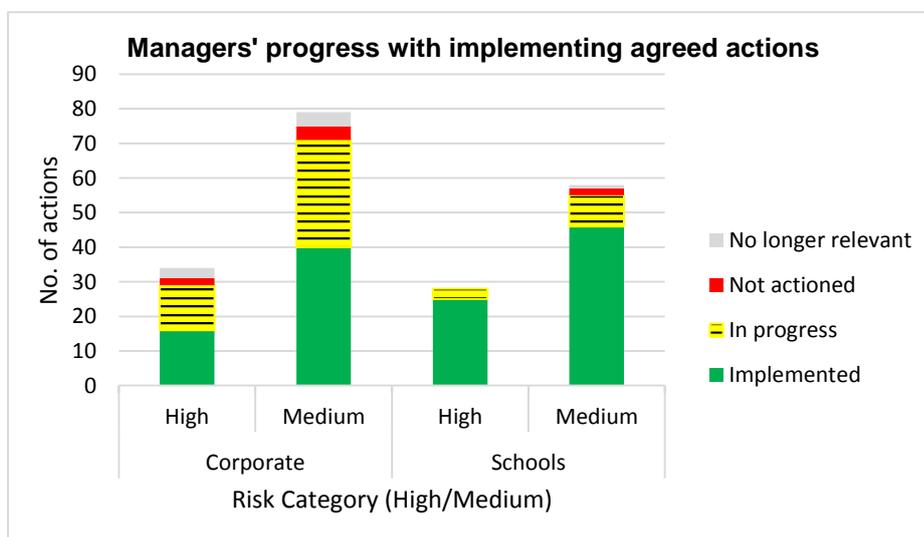
2.11. In order for the Council to derive maximum benefit from internal audit work, agreed actions should be implemented within reasonable timescales. Internal Audit confirm managers' progress with the implementation of improvements by two approaches:

- Follow-up reviews for all corporate services and schools where a negative assurance opinion has been provided in the last audit;
- Tracking of managers' self-assessments of progress with implementing High and Medium-rated actions via an internal SharePoint site.

Follow-up reviews

2.12. There were 12 follow up audits planned for follow-up during 2019/20, (seven corporate and five schools). Of these, five follow-up reviews were cancelled (three corporate and two schools) as they were planned for completion during the last quarter of the year, which was affected by the Covid-19 pandemic's impact upon the availability of both auditee and auditor resources. A list of follow-up reviews planned and conducted can be found within the table at Annex 2.

2.13. Internal Audit followed up 199 actions in these reviews, including 62 which were rated High and 137 Medium risk. Overall, 64% of these actions were found to be fully implemented. Analysis of progress is summarised in the following chart, for corporate and schools reviews:



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Tracking of managers' self-assessments of progress improvements

- 2.14. In order for the Council to derive maximum benefit from internal audit work, agreed actions should be implemented within reasonable timescales. As Members are aware, the Internal Audit team was redeployed for four months and service managers were dealing with new pressures and ways of working as a result of the Covid-19 pandemic, during which time progress with tracking and implementing actions was paused. Tracking of school recommendations was stopped, however, Internal Audit has tracked the implementation of 532 corporate actions during the year including 491 that related to prior years' audit work.
- 2.15. By the date of the annual report, managers had fully implemented 56% of corporate actions that were due to be implemented by 31 March 2020, including with 54% with High-risk category. 12% were deemed to be no longer applicable. 10% of the actions were in progress, whilst target dates for 7% have been deferred to 2020/21. 18% are assessed as not actioned. Tracking of the outstanding progressed, not actioned and deferred actions will continue in 2020/21, including 33 actions with High risk and 140 with Medium risk categories.
- 2.16. Tracking of improvements remains a key priority for Internal Audit and management in 2020/21. Proactive steps are being taken to improve performance in this area, including: reporting to DMTs and the EMT to improve the timely implementation of recommendations.

3. Other sources of Assurance

- 3.1. As part of the audit plan other reviews and consultations were undertaken, for which it was not possible appropriate to provide an assurance opinion due to the nature of the assignment. These reviews included the grant certification for Supported Families
- 3.2. In addition to planned assignments, Internal Audit continued to participate in key meetings, boards and working groups for major initiatives and other governance bodies, to advise upon control issues. In particular, Internal Audit was represented at the Schools Forum. This work has enabled Internal Audit to provide early input on risk management and internal control matters for the Council's key activities and projects.

Anti-Fraud & Corruption Team (A-FACT)

- 3.3. AFACT is responsible for conducting and managing fraud investigations for cases that arise internally and externally in relation to Council services. This work is conducted with support from the Council's Human Resources and Legal Services teams. The work arises from the need for the Council to ensure confidence in the administration of public funds. Details of the work undertaken by A-FACT in 2019/20 are provided in a separate report.
- 3.4. Highlights are:
- 103 special investigations have been completed.
 - A-FACT continued to undertake investigation work on behalf of Lewisham Homes, which included two investigations into employee conduct issues, investigation relating to the repairs service, recovery of one tenancy and contribution to Lewisham Homes' cases to recover several more, and 109 pre-employment checks.
 - The number of employee-related frauds remains low but the trend of undeclared business interests or other conflicts of interest continues.
 - CIFAS (fraud prevention service) data obtained as part of our pilot has assisted with identifying 78 disabled badges still registered to residents who are deceased. We are looking to expand the use of CIFAS data to identify potential fraud across other areas.

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Risk Management

- 3.5. Corporate Resources Directorate is responsible for ensuring the Council has an effective risk management strategy and policy in place. The risk management policy and strategy were last updated in 2017/18 and approved by the Audit Panel and remain valid. They will be updated during 2020. In addition, Directorate Management Teams (DMT) and the Executive Management Team (EMT) meet regularly to discuss risk, review the finances and monitor performance, thereby enabling urgent matters to be escalated for action promptly outside the formal risk reporting cycle.
- 3.6. In addition to the risk registers being utilised for management purposes, the Audit Panel will receive quarterly reports on risk management but the initial report due in March 2020 was deferred due to the Covid 19 outbreak. How risks are being reported and monitored will be covered in the refresh of the Risk Management Policy and Strategy during 2020.

Further sources of assurance

- 3.7. Assurance for the effective mitigation of risk and focus on improving internal control comes from other sources in addition to the work of Internal Audit. These sources are taken into consideration when preparing the annual assurance opinion and planning the work of Internal Audit for future years. In particular, external inspections and accreditation reviews and statutory transparency reporting requirements are helpful measures to assess the effectiveness of service practice and performance. For example external audit work, the annual Legal Services accreditation, Ofsted inspection of schools and Children's Services (assessed as Requires Improvement) and CQC inspection of Adult Social Care services.

4. Analysis of internal audit findings

- 4.1. The audit assurances, number of issues and their risk ratings identified for all assignments conducted during 2019/20 are provided in Annex 2. Definitions of the assurance ratings and risk priorities can be found at Annex 4.
- 4.2. Internal Audit noted several areas of good practice throughout the Council and were able to give Substantial or Satisfactory assurance for 90% of the core internal audits completed.

Internal Control Issues

- 4.3. Where internal control issues were identified, the perceived risk exposure was assessed to facilitate prioritising of remedial actions. The table below provides the number of actions per control issue which were identified in the audits relating to the whole of 2019/20.

Table 1: Analysis of internal control issues identified from internal audit work

Type of control	Total
Authorisation	10
Compliance / Legal	40
Financial / Budget Monitoring	15
Governance	16
Information Security	8
IT	22
Policies	7
Procedures	66
Reconciliations	21
Separation of Duties	-
Other	7
Total	212

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4.4. This table shows that the main areas where control improvements have been identified relate to:

- Procedures (31%)
- Compliance / Legal (19%)
- IT (10%)
- Reconciliations (10%)
- Governance (8%)

Financial control and fraud risk

4.5. Audits are undertaken annually on key financial processes and systems within the Council. The table below shows a comparison of the assurance opinions for the last three years for the core financial audits based on the opinions known at the time of writing.

Table 2: Assurance opinions for core financial systems

Core financial system	16/17	17/18	18/19	19/20	DoT
1. Client contributions for residential & domiciliary care	SAT	SUB	LTD	LTD	↔
2. Accounts payable	LTD	SAT	LTD	SAT	↗
3. Payment for child care providers (Draft)	SAT	SAT	LTD	No opinion	↘
4. Accounts receivable	LTD	SAT	LTD	LTD	↔
5. Payroll	SUB	SUB	SAT	SAT	↔
6. Non-current (fixed) assets	SAT	SUB	SAT	SAT	↔
7. Capital programme and expenditure	SAT	SAT	SAT	SAT	↔
8. Pensions	SAT	SAT	SAT	SUB	↗
9. Direct payments	SAT	SAT	SAT	SAT	↔
10. Banking	LTD	SAT	SAT	No opinion	↘
11. Payments to Adult care providers	SAT	SAT	SAT	SAT	↔
12. Treasury management	SUB	SUB	SUB	SUB	↔
13. Housing benefit and CTRS	SAT	SUB	SUB	SUB	↔
14. Council tax	SAT	SUB	SAT	SAT	↔
15. Business rates (NNDR)	SUB	SUB	SUB	SUB	↔
16. Budget setting and monitoring (Draft)	SUB	SAT	SAT	SUB	↔
17. Main accounting	SAT	SAT	n/a	SUB	↗

Key	SUB Substantial	SAT Satisfactory	LTD Limited	NAS No Assurance	
↗	Improved since last year	↔	Same as last year	↘	Deteriorated since last year

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- 4.6. All of the audits that have reached final report stage were issued in the period since the last update report to the Audit Panel (March 2020). Details of key findings are provided in the following table, with further details for the audits with Limited assurance provided in executive summaries from the audit reports at Annex 5:

Table 3: Key findings from audits of core financial systems

Financial System	Assurance	Key findings
Client contributions for residential and domiciliary care	LTD	<p>This audit reviewed procedures for confirming eligibility for care, undertaking financial assessments, issuing invoices, applying annual uplifts, deferred payment and top-up payment arrangements, information security and business continuity. Five High-risk findings were identified relating to:</p> <ul style="list-style-type: none"> Financial assessments – review of the Adult Social Care Charging and Financial Assessment Framework identified inconsistencies in the value of the upper capital limit for non-residential service users' in the Council's charging policy. Invoicing – from a sample of 41 service users' invoices, there were seven instances where the amount invoiced to the service user did not agree to their financial assessment. Due to a change in the service users' package of care, six clients were over charged a total of £14,517.62 and three clients were under charged a total of £3,723.94. Invoicing - due to miscommunication between different service teams within the Council, it was identified that two service users were overcharged £34,253.85 for their contributions. Deferred payment agreements (DPAs) - for two out of three DPAs, interest on deferred charges was not being applied. In addition, DPA service users were not being sent six-monthly statements, as required by the Care Act statutory guidance. DPAs- an example was found where a service user not provided with a disposable income allowance and was incorrectly invoiced instead of deferring charges until the termination of the DPA. <p>In addition seven Medium-risk issues were identified, of which two related to financial assessments, two related to issuing of invoices and three related to DPA/top-up arrangements.</p>
Accounts payable	SAT	<p>Three High-risk findings were identified relating to:</p> <ul style="list-style-type: none"> Authorisation of a payment by an individual who did not have delegated authority; Failure to complete the E-Procurement Accrual reconciliation; It was not possible to run a report to show vacation rules in use and for how long they had been set. It was found that when an officer uses the delegation rule they are able to delegate their authority to another user and further approval is not required. <p>In addition, eight Medium-risk findings were identified.</p>
Payments for child care providers	No opinion	<p>The key controls were confirmed, however, Internal Audit was unable to obtain sufficient evidence for testing to confirm the effectiveness of all controls. Two High-risk findings were identified relating to:</p> <ul style="list-style-type: none"> The placement information record (PIR) could not be located for three out of a sample of 20 placements, and placement authorisation could not be located for five of the sample; and A placement plan or individual placement contract had not been signed by the provider for 16 out of the sample of 20 placements. <p>In addition, one Medium-risk finding was identified relating to out of date procedure notes.</p>

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Financial System	Assurance	Key findings
Accounts receivable	LTD	<p>This audit reviewed procedures for raising invoices, debt recovery, write-offs, reconciliations, performance management, information security and business continuity. Two High-risk findings were identified relating to:</p> <ul style="list-style-type: none"> Debt recovery - Delays in recovery action including sending reminder letters within the required timeframes; and Reconciliations - The Accounts Receivable and Accounts Receivable Refunds Reconciliations had not always been completed and authorised in a timely manner. There were also items of income that had not been cleared and ongoing discrepancies that had not been resolved. <p>In addition, six Medium-risk findings were identified. Two of these related to raising invoices, two related to debt recovery, with other weaknesses identified in procedures for write-offs and performance management.</p>
Payroll	SAT	<p>Two High risk findings were identified as follows:</p> <ul style="list-style-type: none"> No evidence was provided that payroll control account reconciliation discrepancies, which were sent to Payroll by the accountant, were investigated Out of 15 teachers' pension contribution tested, 2 deductions were at the incorrect rate. <p>In addition, six Medium-risk issues were identified.</p>
Non-current (fixed) assets	SAT	<p>One High-risk finding was identified relating to valuations and impairment, as the contract for the provision of asset valuations was extended with the contractor to cover the valuations for the financial year 2018/19 and extended to cover 2019/20. However, the Council's procedures for procurement were not followed.</p> <p>In addition, eight Medium-risk findings were identified.</p>
Capital programme and expenditure	SAT	<p>One High-risk issue was identified as it was found that there were two projects in a sample of 10, for which the budget was increased on Oracle before the additional funds had been approved.</p> <p>In addition nine Medium-risk findings were identified.</p>
Pensions	SUB	<p>Two Medium-risk findings were identified relating to various weaknesses in the completion/evidencing of reconciliations, and the Pension Fund risk register had not been updated since 2018.</p>
Direct payments	SAT	<p>Nine Medium-risk findings were identified relating to instances of non-compliance with procedures for set-up and review of direct payments, making payments, monitoring of use, stopping and recovery of payments and information security.</p>
Banking	No opinion	<p>The key controls have been confirmed, however, Internal Audit was unable to obtain sufficient evidence for testing to confirm the effectiveness of all controls. One Medium risk finding was identified relating to reconciliations.</p>
Payments to adult care providers	SAT	<p>One High-risk issue was identified in relation to payments to providers as evidence of investigation could not be provided to explain discrepancies between expected and actual invoiced amounts for two out of a sample of 10 accounts where adjustments were required.</p> <p>In addition, six Medium-risk findings were identified.</p>
Treasury management	SUB	<p>Two Medium-risk findings were identified relating to monthly cash flow forecasts and cash flow forecast reconciliations not being prepared in a timely manner; and minutes of the monthly meetings not taken to evidence discussion of variances between cash flow forecasts and actuals.</p>

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Financial System	Assurance	Key findings
Housing benefit and CTRS	SUB	Two Medium-risk findings were identified relating to insufficient review of monthly reconciliations between rent rebate and rent allowance transactions against the General Ledger, and late reconciliation of the rent allowances.
Council tax	SAT	Three Medium-risk findings were identified relating to the granting of discounts/exemptions to 7/52 applicants without confirmation of their eligibility; insufficient review of awarded discounts/exemptions to check whether circumstances have changed; and insufficient review of quarterly reconciliations between the council tax system and general ledger.
Business rates (NNDR)	SUB	Two Medium-risk issues were identified relating to the findings that one business was awarded revaluation support twice in error and insufficient review the periodic reconciliations between the business rates system and the general ledger.
Budget setting and monitoring	SUB	Two Medium-risk issues were identified. One related to unclear justification for adjustments whereas the other related to lack of evidence to support four out of 32 reported figures.
Main accounting	SUB	Five Medium-risk issues were found relating to the approval of new codes or amendments, recording of task completion in the closedown timetable, late signing-off of the final accounts, and delay in the preparation and review of both feeder system reconciliations and control account reconciliations.

5. Role of the Head of Internal Audit

- 5.1. CIPFA's Statement on "The role of the Head of Internal Audit in public service organisations, 2010" states that the Head of Internal Audit role is based on five principles:
- 1) Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
 - 2) Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control;
 - 3) Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
 - 4) Must lead and direct an internal audit service that is resourced to be fit for purpose; and
 - 5) Must be professionally qualified and suitably experienced
- 5.2. The annual review of the Head of Internal Audit concluded that all of the above principles were met.

Annex 1: Annual Opinion types

The table below sets out the four types of opinion that Internal Audit uses to describe annual assurance, along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit has applied professional judgement when determining the appropriate opinion so the guide given below is **indicative rather than definitive**.

Type of opinion	Indication of when this type of opinion may be given
Substantial	<ul style="list-style-type: none"> • A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Satisfactory	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Limited	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are not pervasive to the system of internal control; and • A minority of the individual assignment reports may have an overall report classification of either high or critical risk.
No Assurance	<ul style="list-style-type: none"> • High risk rated weaknesses identified in individual assignments that in aggregate are pervasive to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are pervasive to the system of internal control; and/or • More than a minority of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	<ul style="list-style-type: none"> • An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> - Restrictions in the audit programme agreed with the Audit Panel, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or - We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

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Annex 2: 2019/20 Internal Audit Work

Audit	Report Date	Assurance	Recommendations		
			High	Medium	Low
Core Financial					
2019/20-32 - Accounts Payable 19-20	27/08/2020	Satisfactory	3	8	1
2019/20-33 - Accounts Receivable and Debt Recovery 19-20	27/08/2020	Limited*	2	6	2
2019/20-34 - Banking 19-20	27/08/2020	Unable to provide assurance		1	
2019/20-35 - Budget Setting and Monitoring 19-20		Substantial		2	1
2019/20-36 - Business Rates -19-20	25/08/2020	Substantial		2	
2019/20-37 - Capital Expenditure 19-20	24/06/2020	Satisfactory	1	9	
2019/20-38 - Client Contribution for Care Provision 19-20	21/09/2020	Limited*	5	7	2
2019/20-39 - Council Tax 19-20	04/09/2020	Satisfactory		3	
2019/20-40 - Direct Payments 19-20		Satisfactory		9	1
2019/20-41 - Housing Benefit and Council Tax Reduction Scheme (CTRS) 19-20	31/07/2020	Substantial		2	1
2019/20-42 - Main Accounting 19-20	11/08/2020	Substantial		2	
2019/20-43 - Asset Management 19-20	13/03/2020	Satisfactory	1	8	
2019/20-44 - Payments to Adult Care Providers 19-20	21/09/2020	Satisfactory	1	6	
2019/20-45 - Payments to Childcare Providers and Foster Carers for Looked After Children - 2019/20	21/10/2020	Unable to provide assurance	2	1	
2019/20-46 - Payroll 19-20	08/09/2020	Satisfactory	3	6	
2019/20-47 - Pensions for LGPS 19-20	18/08/2020	Substantial		2	
2019/20-48 - Treasury Management 19-20	11/08/2020	Substantial		2	1
Corporate audits					
2019/20-25 - Building Security - Contract Monitoring	16/07/2020	Substantial		3	2
2019/20-26 - Grounds Maintenance - Contract Management	27/02/2020	Satisfactory		4	5
2019/20-27 - School Health - Contract Management	08/06/2020	Satisfactory		6	1
2019/20-28 - Family Action - Contract Management	24/02/2020	Satisfactory		7	1
2019/20-49 - VAT Audit 19-20	N/a	Deferred			
2019/20-50 - Rogue Landlords Framework 19-20	N/a	Cancelled			
2019/20-51 - Schools' Finance Team 19-20	N/a	Deferred			
2019/20-52 - Lewisham Gateway Development	N/a	Cancelled			
2019/20-53 - Tendering and Procuring contracts and supplier Resilience 19-20	N/a	Deferred			
2019/20-56 - Planning Control Framework	N/a	Cancelled			
IT audits					
2019/20-29 - Telecommunications (was New Phone System and BCP) (From 18/19)	26/06/2020	Satisfactory		6	9
2019/20-30 - Self Service IT Processes 19-20	29/06/2020	Satisfactory		3	2
2019/20-54 - Office 365 and SharePoint	N/a	Deferred			
2019/20-55 - LBL IT Strategy	N/a	Deferred			
2019/20-31 - Oracle HR and Payroll – Post implementation	N/a	Deferred			
Grants					
2019/20-99 - Supporting Families Programme Grant Certification 19-20	N/a	Not applicable	n/a	n/a	n/a
Schools					
2019/20-01 - Brindishe Green Primary 19-20	10/01/2020	Substantial		6	1
2019/20-02 - Brindishe Manor Primary 19-20	06/01/2020	Substantial		8	2
2019/20-03 - Clyde Nursery 19-20	31/07/2020	Satisfactory		16	1
2019/20-04 - Dalmain Primary 19-20	12/11/2019	Satisfactory		11	6

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Audit	Report Date	Assurance	Recommendations		
			High	Medium	Low
2019/20-05 - Deptford Park Primary 19-20	14/11/2019	Satisfactory	1	13	5
2019/20-06 - Drumbeat School and ASD Service 19-20	30/01/2020	Satisfactory		16	4
2019/20-07 - Good Shepherd Catholic Primary School 19-20	25/11/2019	Substantial		3	4
2019/20-08 - Holy Cross Catholic Primary 19-20	05/11/2019	Satisfactory		11	5
2019/20-09 - Horniman Primary 19-20	06/08/2020	Satisfactory	1	17	4
2019/20-10 - John Stainer Primary 19-20	13/03/2020	Satisfactory		9	5
2019/20-11 - Lucas Vale Primary 19-20	09/12/2019	Substantial		4	2
2019/20-12 - Marvels Lane Primary 19-20	18/03/2020	Limited	3	14	1
2019/20-13 - Myatt Garden Primary 19-20	19/12/2019	Substantial		8	6
2019/20-14 - Rangefield Primary 19-20	05/11/2019	Substantial		7	1
2019/20-15 - Rathfern Primary 19-20	31/03/2020	Satisfactory		15	3
2019/20-16 - Rushey Green Primary 19-20	30/01/2020	Satisfactory		14	3
2019/20-17 - Sandhurst Primary 19-20	07/11/2019	Satisfactory		12	3
2019/20-18 - St Augustine's Catholic Primary 19-20	21/11/2019	Satisfactory	1	11	4
2019/20-19 - St Joseph's Catholic Primary 19-20	06/01/2020	Satisfactory	1	15	
2019/20-20 - St Mary's Church of England Primary 19-20	08/07/2019	Substantial		9	2
2019/20-21 - St Stephen's Church of England Primary 19-20	07/10/2019	Substantial		9	3
2019/20-22 - Stillness Infant 19-20	08/01/2020	Satisfactory	1	14	
2019/20-23 - Stillness Junior 19-20	02/12/2019	Satisfactory		12	1
2019/20-24 - Torridon Primary 19-20	02/09/2019	Satisfactory		17	1
Follow-ups - Corporate					
2019/20-F01 - 2018/19-43 - Adherence to the Local Government Transparency Code- Follow up	11/10/2019	Not applicable			
2019/20-F09 - Accounts Payable 18-19 - Follow up	27/08/2020	Not applicable			
2019/20-F10 - Accounts Receivable and Debt Recovery 18019- Follow-up	27/08/2020	Not applicable			
2019/20-F03 - Apprenticeship Levy Spend including Professional Qualifications - follow up	26/02/2020	Not applicable			
2019/20-F11 - Client Contribution for Care Provision 18-19 - Follow up		Not applicable			
2019/20-F08 - Oracle Cloud - Financials Post Implementation - Follow-up	N/a	Deferred			
2019/20-F12 - Payments to Child Care Providers and Foster Carers 18-19 - Follow up	N/a	Deferred			
Follow-up - Schools					
2019/20-F06 - Deptford Green Secondary - Follow-up	07/01/2020	Not applicable			
2019/20-F04 - Bonus Pastor Catholic College - Follow up	07/01/2020	Not applicable			
2019/20-F05 - Conisborough College - Follow up	06/02/2020	Not applicable			
2019/20-F07 - Trinity All Through School - Follow-up	N/a	Cancelled			
2019/20-F02 - Abbey Manor School - Follow up	N/a	Cancelled			

*The executive summary from the audit report is presented in Annex 6

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Annex 3 - Changes to the Internal Audit Plan

Audits cancelled or deferred	Reason for deferral/cancellation
2019/20-31 - Oracle HR and Payroll – Post implementation	Implementation of Oracle HR/Payroll has been delayed
2019/20-49 - VAT Audit 19-20	Deferred due to insufficient audit resource
2019/20-50 - Rogue Landlords Framework 19-20	Cancelled due to insufficient audit resource
2019/20-51 - Schools' Finance Team 19-20	Deferred due to insufficient audit resource
2019/20-52 - Lewisham Gateway Development	Deferred due to insufficient audit resource
2019/20-53 - Tendering and Procuring contracts and supplier Resilience 19-20	Deferred due to insufficient audit resource
2019/20-54 - Office 365 and SharePoint	Cancelled due to insufficient audit resource
2019/20-55 - LBL IT Strategy	Deferred due to insufficient audit resource
2019/20-56 - Planning Control Framework	Cancelled due to insufficient audit resource
Follow ups	
2019/20-F02 - Abbey Manor School - Follow up	Follow-up audit cancelled due to Covid-19 pandemic
2019/20-F07 - Trinity All Through School - Follow-up (Cancelled)	Follow-up audit cancelled due to Covid-19 pandemic
2019/20-F08 – Oracle Cloud - Financials Post Implementation - Follow-up	IT team delay in implementation. Follow-up audit cancelled due to Covid-19 pandemic
2019/20-F12 - Payments to Child Care Providers and Foster Carers 18-19 - Follow up	Follow-up audit cancelled as a full audit was not completed in 2019/20.

Appendix 1

Annex 4: Basis of internal audit assurance classifications

Explanations for Assurance Opinion

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

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

Definition of Category of Recommendation

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

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

Appendix 1

Annex 5: Performance of the Internal Audit Service

Key performance indicators (KPIs)

The Internal Audit team aims to provide an efficient and high quality service. Therefore, our performance against a set of KPIs is shown in the table below:

KPI	Target	2019/20 results	Comments
Proportion of plan delivered	90%	92%	Approval to defer/cancel nine audits from the agreed plan of 69 was obtained through update reporting to Audit Panel in March 2020. Since then, a further five audits have been cancelled due to the need to deploy Internal Audit resource in response to the Covid-19 pandemic. Therefore 55 out of 60 audits have been delivered.
Proportion of high and medium risk recommendations implemented	75%	64%	Results are based on follow-up reviews conducted.
		56%	Results are based on tracking managers' self-assessment of progress with implementing corporate actions. Tracking of schools' progress has ceased as a result of the Covid-19 pandemic.
Average customer satisfaction score meets or exceeds acceptable level	85%	72%	Results are based on only one response received during the year.

Quality assurance and improvement programme

PSIAS require that Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. Periodic reviews of the quality of internal audit work are completed internally and the Head of Internal Audit reviews all draft audit reports. Planning and delivery of the Service (including this Annual Assurance) has been done in conformance with the requirements of the PSIAS.

Public Sector Internal Audit Standards

An external independent peer review of the Internal Audit service against the PSIAS was conducted in 2016, which concluded that the Internal Audit service 'generally conforms' to the PSIAS, with no areas of non-conformance being identified. All actions arising from the review have been implemented. The next review is due by March 2021.

In the meantime, Internal Audit undertook a self-assessment of compliance with the PSIAS. The assessment for 2019/20 found some areas for improvement, which have been incorporated into the QAIP for 2020/21.

Annex 6: Limited/No Assurance Executive Summaries

Accounts Receivable and Debt Recovery 19-20 Corporate Services (COR)

Overall Audit Opinion - Limited

Process Areas	High	Medium	Low
● 1. Raising Invoices	-	2	1
▲ 2. Debt Recovery	1	2	1
● 3. Write-Off's	-	1	-
▲ 4. Reconciliations	1	-	-
● 5. Performance Monitoring	-	1	-
▲ 6. Information Security and Business Continuity	-	-	-
*			
Total	2	6	2

*There are three recommendations, (1 high and 2 medium) relating to the controls around Oracle Financial System. While they also relate to Account Receivable, they will only be formally reported and monitored in the Accounts Payable Audit.

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

Introduction

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.

Testing of write-offs, including review of the documentation and confirmation of authorisation could not be completed. This is due to Covid 19 lockdown restrictions which meant officers were not able to access the documentation kept in the office.

It is also noted that some of the debts within the sample had reached the stage where legal action or bailiffs could have been used (prior to COVID 19). However, none of these cases had been progressed to this level of recovery action, therefore controls around these processes have not been tested as part of this audit. It was stated by the Corporate Debt Collection Manager, Public Services this was due to a restructure of the team that started in April 2019, and is still on-going due to be finished in September 2020 when all posts should be filled.

The report has been given a limited opinion due to the following issues;

- Delays in recovery action including sending reminder letters within the required timeframes as per the Debtors Procedure Manual.
- The Accounts Receivable and Accounts Receivable Refunds Reconciliation had not always been completed and authorised within a timely manner. There were also items of income that had not been cleared and on-going discrepancies that had not been resolved.

There were three findings raised in the Accounts Payable Audit relating to Oracle System Controls that are also relevant to Accounts Receivable. While they also relate to Account Receivable, they will only be formally reported and monitored in the Accounts Payable Audit. The findings were:

- It was not possible to run a report to show vacation rules in use and for how long they had been set. It was also found that when an officer uses the delegation rule they are able to delegate their authority to another user and further approval is not required.
- *A report to help identify new user set-ups, amendments, such as additional roles or when a user is de-activated could not be produced in Oracle Cloud.
- *The form used to set up new profiles and process amendments on Oracle Cloud had too many options to choose from and it might not be clear to officers which option relates to which role on Oracle Cloud. In addition, the form had not been completed for all amendments. Supporting procedures had also not been formally documented.

Assurance Opinion and Recommendations Made

Accounts Receivable and Debt Recovery 19-20 has an assurance rating of Limited.

The previous audit completed in 2018/19 had the assurance rating of Limited.

The number of recommendations made, listed by categories are listed below:

2 High recommendations, of these 2 were made in the previous report,

6 Medium Recommendations, of these 5 were made in the previous report, and

2 Low Recommendations.

Key Findings *indicates reoccurring recommendation

- *Debt recovery action including sending reminder letters was not done in a timely manner and further debt recovery action had not been done.
- *The Accounts Receivable and Accounts Receivable Refunds Reconciliation had not always been completed promptly (within three weeks of month end) and had not always been authorised in a timely manner. Items on the Accounts Receivable Refunds reconciliation had not been resolved. There were discrepancies between the Accounts Receivable report and General Ledger report in the Accounts Receivable Reconciliation that were not resolved.
- *Debtor KPIs were not being reported as part of the Corporate Services Performance Report.

- *In one case the credit note request had not been processed in a timely manner. In one case the request had been processed without the request form completed. In two cases a reason for the credit note and a record of authorisation of the credit note was not recorded.
- *In one case the invoice request had not been processed in a timely manner and time scales for processing invoice requests had not been agreed. There was also one invoice request form that had not been processed in a timely manner.
- *Internal Audit requested evidence confirming authorisation for a sample of five write-offs. However, these were not kept electronically. Therefore, the documentation could not be provided Due to Covid 19 lockdown restrictions, and write off controls could not be fully reviewed.
- *There were four debts where a default on an instalment arrangement had occurred and further investigation was needed but not actioned. In addition, the Financial Information Form had not been completed in one case where it was required.
- Out of a sample of five Housing Benefit Debt Recovery cases, it was found that two cases debt recovery action had not been taken. In one case this was due to an issue with the migration to ASH where a number of invoices had not been migrated.

Areas that worked well

- Invoices included the Councils options for payments printed on the back
- Invoices had been authorised by appropriate officers in all cases
- Once an invoice has been issue, it is not possible to amend or cancel an invoice. A credit note must be raised.
- There was a Write-off Policy, and write-offs had been authorised by the appropriate person with documentation retained.

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.

Client Contributions for Care Provision 2019/20

Corporate Services (COR)

Overall Audit Opinion - Limited (**Draft Report**)

	Process Areas	High	Medium	Low
★	7. Service Users' With Care Packages and Their Eligibility	0	0	0
●	8. Carrying Out Financial Assessments	1	2	1
▲	9. Issuing of Invoices	2	2	0
★	10. Annual Uplifts	0	0	0
▲	11. Deferred Payment Scheme (DPA) and Top-Up Payment Agreement	2	3	1
★	12. Information Security and Business Continuity Planning	0	0	0
	Total	5	7	2

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

Introduction

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.

Basis of Opinion

Audit testing has identified a number processes that puts at risk the service objective of issuing accurate and timely invoices to service users' for their assessed contribution towards their care and support charges. Due to this the audit has been given a Limited Assurance opinion.

The process area that impacted upon the assurance opinion was issuing invoices to service users'. A review of invoices issued to 41 service users' identified nine were issued with inaccurate invoices. It was identified service users' were being both over charged (£48,771.47 in total) and under charged (£3,723.94 in total) for their contributions.

Audit testing also established some non-residential service users' were not being financially assessed in line with approved Council policy. In addition, financial assessments for non-residential service users'

took place after they started receiving care.

Assurance Opinion and Recommendations Made

Client Contribution for Care Provision 2019/20 has an assurance rating of Limited.

The previous audit completed in 2018/19 had an assurance rating of Limited.

The number of recommendations made, listed by categories are listed below:

5 High recommendations (of these 2 were raised in the previous audit report),

7 Medium Recommendations (of these 3 were raised in the previous audit report), and

2 Low Recommendations.

Key Findings *indicates reoccurring recommendation

- * A review of the invoices issued to 41 service users' identified seven instances where the amount invoiced to the service user did not agree to their financial assessment. Due to a change in the service users' package of care, six clients were over charged a total of £14,517.62 and three clients were under charged a total of £3,723.94.
- * For two out of three Deferred Payment Agreement (DPA) service users' tested, interest on deferred charges was not being applied. In addition, DPA service users' are not being sent six-monthly statements, as required by the Care Act statutory guidance.
- Due to miscommunication between different service teams within the Council, it was identified two service users' were over charged £34,253.85 for contributions towards their care and support costs.
- A review of three Deferred Payment Agreements (DPA's) identified one service user was not provided with a disposable income allowance of £144 per week, as required by the Care Act statutory guidance. In addition, the same service user was incorrectly sent an invoice of £9,350 for immediate payment instead of being debited to their DPA account and deferred until the termination of the deferred payment agreement.
- A review of the Adult Social Care Charging and Financial Assessment Framework identified inconsistencies in the value of the upper capital limit.
- * A review of three Deferred Payment Agreements (DPA's) identified none of the three were charged an administration charge. In addition, a review of one ended DPA identified the service user was not charged a termination fee. In total, the lost income to the Council from these service users' was £1,225.
- * For three Deferred Payment Agreements (DPA's) tested, it was identified that two did not have an equity limit calculated. In addition, evidence was not provided that an officer of the Council was regularly monitoring the amount of charges accrued on DPA accounts to identify when service users' are approaching 70% of their property value or equity limit, as required by the Care Act statutory guidance.
- * Testing of 23 new service users' identified 10 non-residential and three residential service users' financial assessments were not carried out prior to the start of the service user's package of care. In addition, it was identified for four service users' they were not charged from the first date they received care from the Council. The loss of income to the Council was £6,802.50.
- A review of five non-residential service users' that are paying the full cost of their care identified three that did not have an adjustment on their invoices for service breaks.
- A review of the financial assessments for 16 non-residential service users' identified the minimum income guarantee rate for two service users' did not agree with the rate on the buffer limit spreadsheet.

- A review of three Deferred Payment Agreements (DPA's) identified one was not set up within 12 weeks of receiving the completed and signed DPA application form, as recommended by the Care Act statutory guidance. The length of time to set up the DPA was 116 weeks. At this point, the service user had accrued charges of £83,603.07 without adequate security being put in place.
- It was identified that client contributions are not exported from ContrOCC (Adult social care finance system). Therefore, it is not possible for the Finance Team to perform a reconciliation between the assessed contribution data on ContrOCC to the general ledger.

Areas that worked well

- A review of LAS records for 25 service users' with an active package of care on LAS and no financial assessment identified all 25 service users' were exempt from charging.
- A review of 36 financial assessments identified for all 36 assessments that relevant financial information such as benefits, occupational pension, property ownership, disability related expenditure, other expenses, etc. was obtained. It was confirmed for each assessment tested, the data entered agreed to the source documents.
- Testing of 24 periodic invoice request forms and 18 one off invoice request forms sent to the Income and Payment Team identified the amount invoiced to the service user agreed to the request form and data on ContrOCC.
- It was confirmed that an annual uplift was carried out for the financial year 2019/20.
- It was confirmed for all Deferred Payment Agreements tested that a written contract was in place which was signed both the service user or their power of attorney and an officer of the Council. In addition, it was verified that a legal charge was placed on the service user's property as security for the deferred charges.
- It was confirmed a documented business continuity plan is in place for the Benefits service. The plan was recently reviewed on the 31/10/19.

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.

Annex 7: Limitations inherent to the internal auditor's work

Internal Audit work has been performed subject to the limitations outlined below.

Opinion

The annual audit opinion does not imply that Internal Audit has reviewed all risks relating to the organisation. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance over the operation of the system of internal control.

The opinion for individual audits is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Panel should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Internal Audit's assessment of controls relating to Lewisham Council is for the period 01/04/19 to 31/03/20. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

The specific time period for each individual internal audit is recorded within each audit report.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavour to plan work so that it has a reasonable expectation of detecting significant control weaknesses and, if detected, Internal Audit shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and the team's examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.