



Audit Panel

Report title: Internal Audit Progress Update

Date: 8 December 2021

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors: Executive Director of Corporate Resources

Outline and recommendations

Progress is reported with the delivery of internal audit work since the last report to Audit Panel in September 2021, summarising the outcomes from completed audits and providing details of High-rated findings and audits that have been assessed as having 'Limited' assurance. In addition, managers' progress with the implementation of agreed audit actions is presented.

Members are asked to note the progress on delivery of internal audit work as set out in this report.

1. Summary

- 1.1. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual opinion on the Council's arrangements for governance, risk management and internal control, based upon audit work performed during the year. The audit plan for 2021/22 was approved by Audit Panel on 23 June 2021 and formed the basis of internal audit work since then, alongside audits from the 2020/21 audit plan that have been progressing to completion.
- 1.2. This report presents progress with internal audit work since the last report to Audit Panel in September 2021, including details of 'Limited' assurance audits and managers' progress with the implementation of agreed audit actions.

2. Recommendations

- 2.1. It is recommended that the Audit Panel should:
 - note progress with delivery of internal audit work.

3. Policy Context

- 3.1. The content of this report is consistent with the Council's policy framework. It supports the priorities set out in the Corporate Strategy 2018-2022 and is particularly relevant to delivering a strong and resilient framework for prioritising action which has supported the organisation in the face of austerity and ongoing reductions in funding.
- 3.2. It supports all of the Council's priorities through effective risk management of its activities and recommending improvements in the internal control framework..

4. Background

- 4.1. Internal Audit is a statutory service, which aims to provide independent assurance to the Audit Panel, Executive Director of Corporate Resources, Executive Management Team and other senior managers that an appropriate system of governance and internal control is in place to mitigate key risks that may impact on the achievement of the Council's services and priorities.
- 4.2. Whilst it is management's responsibility to develop and maintain a sound system of internal control and to prevent and detect irregularities, the overall aim of internal audit work is to seek out areas requiring improvement and recommend solutions that will enable the Council to better achieve its objectives. The plan of internal audit work for 2021/22 was agreed by the Audit Panel on 23 June 2021.
- 4.3. This report summarises progress with internal audit work since the last report to Audit Panel in September 2021, including details of high risk-rated issues identified and an update on managers' progress with implementation of audit recommendations.

5. Internal audit work completed and in progress

Completed audits

- 5.1. Since reporting to Audit Panel in September, seven assignments have been completed, outcomes for which are summarised in Table 1:

Table 1: Outcomes for completed audits

Audit	Assurance	Recommendations			
		High	Medium	Low	Total
Children & Young People					
Special Educational Needs and Disability Information Advice and Support Service - Contract Management	Satisfactory	-	4	2	6
Youth First - Contract Management	Satisfactory	-	6	-	6
Coopers Lane Primary School	Satisfactory	-	8	4	12
Community Services					
Compliance and Enforcement Surge Funding - Grant certification	N/a	-	-	-	-
Community Testing Programme Grant Certification	N/a	-	-	-	-
Housing Regeneration & Public Realm					
Climate Change	Satisfactory	1	4	-	5
Corporate Resources					
Payroll 2020-21	Limited	2	3	2	7
TOTAL		3	25	8	36

- 5.2. Definitions of audit assurance classifications and risk ratings for recommendations are provided in Annex 1. Table 1 shows that 36 areas for improvement have been identified across the seven completed assignments.
- 5.3. Three High-rated findings have been identified in two of the completed audits, and are summarised in the following table:

Table 2: High-rated findings from audits completed since September

Audit	Finding	Risk
Climate Change	The governance arrangements for delivering and monitoring of the Climate Emergency Action Plan had not been	Without a governance structure in place, there is a risk that the Action Plan will not be delivered due to a lack of progress

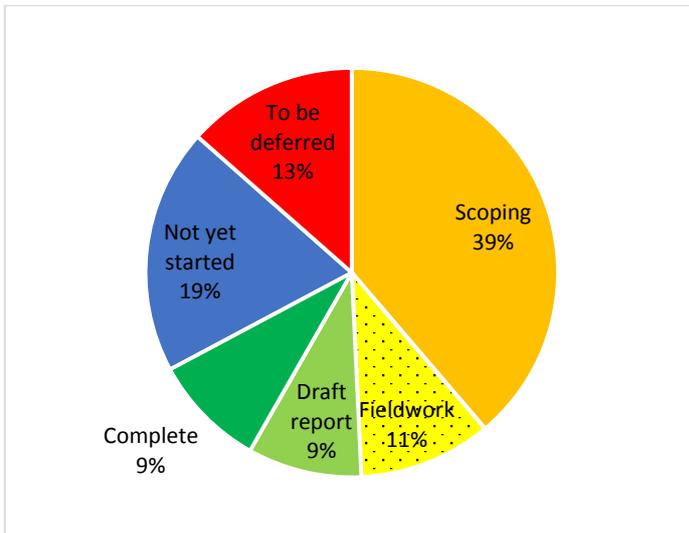
Audit	Finding	Risk
	clearly defined. Three out of five working groups, which were set up to help deliver all of the areas of the Action Plan, were not operating, although climate emergency representatives were attending other relevant meetings within the Council. In relation to the two working groups that were operating, terms of reference had not been developed.	monitoring and taking corrective action if needed to drive delivery. If working groups are not established there are also risks of lack awareness across services and the Action Plan may not become embedded across the Council.
Payroll 2020-21	The overpayments monitoring sheet was not fit for purpose or kept up to date. Three overpayments found during testing were not recorded on the sheet and there was no evidence of repayments.	Without recording of all overpayments when they are identified until recovery arrangements and repayments are made, the Council could be losing money.
	As at April 2021, reconciliations in the 'BACS to Salaries' spreadsheet had not been completed as Finance did not have all the source documentation. The June reconciliation for payroll control accounts (payroll transactions to the general ledger) was not completed until August 2020. February and March 2021 reconciliations were not completed, and January was work in progress at the time of the audit. The reconciliations were not always signed as completed by the reconciler or approver.	If reconciliations are not completed in a timely manner, checked promptly, or do not reflect the correct figures, this could result in incorrect payments to officers, inaccurate payroll or accounting records or failure to detect potential fraud. This could impact the Council's finances and could lead to a qualified opinion from external audit.

5.4. Details of findings from Limited Assurance audits are provided in Annex 2, where extracts from the executive summary of the audit report are presented.

Audit work in progress

5.5. The following chart summarises progress with delivery of audits from the 2021/22 audit plan, which was approved by the Audit Panel on 23 June 2021.

Chart 1: Progress with 2021/22 Planned Internal Audit Work



5.6. Chart 1 shows that 68% of audits from the 2021/22 plan have commenced, of which 9% have been completed. A list of all planned audits, showing progress with their delivery, is provided in Annex 3.

5.7. Since Members approved the audit plan in June 2021, the in-house Internal Audit team has experienced pressure on resources as a result of long term sickness and redundancies following the Finance review. Audits relating to high-scoring risk areas (at the time of audit planning) have been prioritised and remaining unallocated audits have been considered by the Executive Management Team. It was agreed that most of the audits associated with higher risk scores will be bought-in from our external partners, but it was proposed that nine planned audits (13%) will be deferred for consideration in 2022/23 audit planning. The following table provides details of the audits that are proposed for deferral:

Table 3: Changes to the 2021/22 audit plan

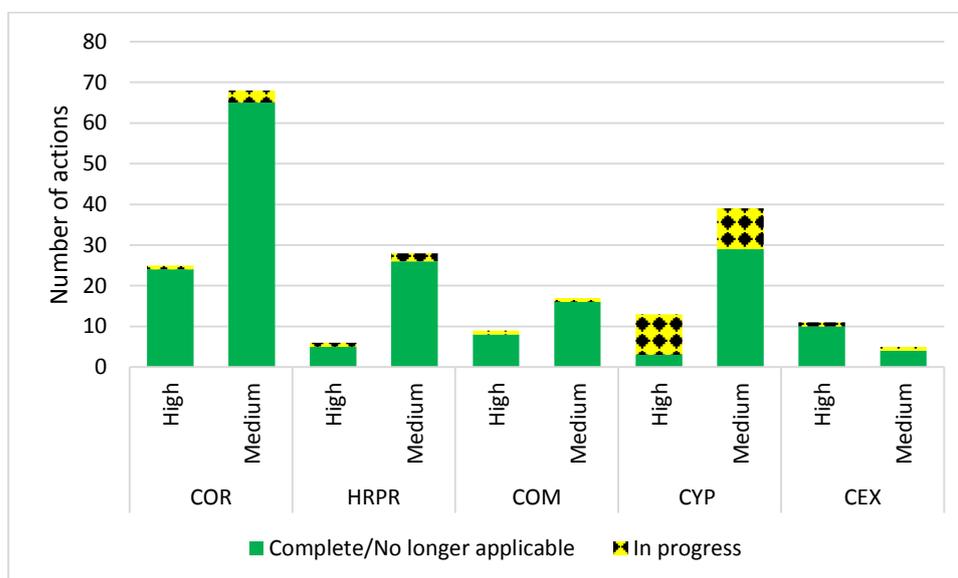
Planned audit	Proposed scope	Risk score	Comments
Chief Executive			
Corporate Key Performance Indicators	To ensure that the delivery of key service objectives is monitored through regular reporting and review of performance indicators.	12	To be deferred, given relatively low risk score
Corporate Resources			
Office 365	To ensure that the rollout of Office 365 does not expose the Council to risk of security breaches or reductions in resilience	12	To be deferred as the roll-out is unlikely to be sufficiently progressed.
Risk Management	To ensure that risks are identified and managed in accordance with the Council's strategy and that risks are monitored effectively to help ensure that the risks do not materialise	n/a	To be deferred given that an audit was undertaken during 2020/21 with Satisfactory assurance
Children & Young People			
Budget management in CYP	To ensure that income and expenditure in a key CYP service area is managed within budget limits.	20	To be deferred as the directorate is making changes to improve procedures.
Community Services			
Partnerships working arrangements	To ensure that risks associated with Multi-Agency working are mitigated through appropriate governance arrangements	12	To be deferred, given relatively low risk score
Leisure Contract	To ensure that the contract for Leisure services is delivered on time, within budget and to appropriate quality standards to meet the needs of users. In particular, to ensure that the Council pays only for services in accordance with the contract, as supported by open-book accounts.	16	To be deferred as there is uncertainty about the continuity of the leisure contract.
Business continuity management	To ensure that business continuity arrangements are sufficient to protect service users against potential failure of suppliers	12	To be deferred, given relatively low risk score
Housing, Regeneration & Public Realm			
Building for Lewisham	To ensure that the Building for Lewisham programme is overseen by the Council, to provide assurance that it is being delivered on time, within cost and to acceptable quality standards	12	To be deferred, given that an audit of the programme was undertaken in Autumn 2020 with Satisfactory assurance.
Section 106 / CIL arrangements	To ensure that all income due to the Council for s106/CIL is identified, received and spent on works to achieve the expected outcomes within an acceptable time period.	12	To be deferred, given relatively low risk score

6. Managers' progress with implementation of audit recommendations

6.1 To gain assurance that improvements are being made to the Council's control framework, Internal Audit tracks the progress made by managers with the implementation of recommendations that have been agreed during audit work.

6.2 Since April 2021, we have tracked the status of 221 actions with agreed target dates up to 31 October 2021. As at 25 November, 190 actions (86%) have been self-assessed as completed or no longer applicable, with 31 (14%) in progress. The status is summarised in the following chart, which shows progress for High and Medium risk actions across corporate directorates.

Chart 2: Directorates' progress with implementing improvements



6.3 14 high-risk actions have been assessed as 'in progress' as they have not been fully implemented by the agreed due dates. Further detail are provided in the following table:

Table 4: High-rated overdue actions

Audit Title	Agreed Management Action	Status	Current / Original Due Date	Management Comments
Corporate Resources				
Budget Monitoring for CYP and COM	03.2 Spending limits will be set up on Oracle Cloud to align with agreed delegations.	Not Actioned	30/09/21	None provided
Children & Young People				
Passenger Transport - Financial Management	09.1 A report of all approved payments for the billing period on the DPS will be produced and the total cost will be reconciled to the monthly invoice received from Adam HTT. Discrepancies will be queried with the supplier. The officer that carried out the reconciliation and the date of reconciliation will be recorded on the report.	Not Actioned	31/07/21	None provided
	09.2 A sample of previous monthly invoices from Adam HTT will be reconciled to the data on the DPS to obtain assurance over accuracy of the invoices.	Not Actioned	30/09/21	None provided
Payments to Childcare Providers and Foster Carers for Looked After Children - 20-21	01.1 A clear process will be developed and shared with all relevant staff to ensure all signed agreements are retained on each child's file on LCS.	Not Actioned	30/09/21	None provided
	01.4 Staff will be reminded to ensure that only designated staff are approving placements and will resend the scheme	Not Actioned	30/09/21	None provided

Audit Title	Agreed Management Action	Status	Current / Original Due Date	Management Comments
	of delegation to relevant staff. Where someone other than the designated individual approves a placement, a retrospective approval from the designated approver will be obtained and evidence retained on LCS.			
	01.5 Staff will be reminded of the need to ensure that the Placements team are informed at the outset of arranging a placement for a child as per the required process.	Not Actioned	30/09/21	None provided
	01.6 Case ID 323071 will be investigated, and appropriate action undertaken both from an accounting and payments perspective.	Not Actioned	30/09/21	None provided
	01.2 A review will be undertaken to confirm that key documentation is on file for all service users.	Not Actioned	31/10/21	None provided
	01.3 Staff will be reminded of the importance of retaining signed contracts/agreements for each placement. Random checks will be carried out to ensure all key documents are on the system.	Not Actioned	31/10/21	None provided
Budget Monitoring for Children and Young People (CYP) and Community Services (COM)	03.1 Approval from the Executive Director for Children & Young People will be obtained and documented for specified roles within Children's Social Care to be exempt from the Council's general Scheme of Financial Delegation in order to enable commissioning of high-cost care services on specific budgets. Subject to receiving approval, spending limits on ContrOCC will be set accordingly.	Not Actioned	30/09/21	None provided
Synergy Application	3. Management should establish whether reconciliations between Synergy and Oracle are done. They should also establish if they are done monthly and are accurate. Where it is found that reconciliations are not done, management should ensure that they are conducted monthly, in a timely manner, and any discrepancies investigated	In Progress	30/09/21 31/08/18	There are issues with the data held on Synergy. Officers from the service have confirmed that to be the case, noting some pupils as no longer being eligible, although appearing on the system. The Executive Director for CYP has agreed an initial 3 month period to data cleanse and then subsequently get in place a process for routine reconciliation of the information between Oracle, Synergy and ContrOCC and also creation of a tracker for SEN.
Housing, Regeneration & Public Realm				
Refugee Resettlement Programme - Contract Management	02.1 We will work with the Refugee Council to develop key performance indicators to help with performance monitoring going forward. We will also review the requirement as is stated in the contract for the refugee resettlement template to be used as and when required rather than every month.	In Progress	20/07/21	We have initiated discussions on how performance will be monitored going forward. We expect these new reporting methods will be in place by June 2021.
Community Services				
Budget Monitoring for CYP and COM	03.3 Ability to approve budgets / purchase orders on ContrOCC will be removed from all Community Services users who do not require it outside of the Arranging Care Team.	Not Actioned	30/09/21	None provided

Audit Title	Agreed Management Action	Status	Current / Original Due Date	Management Comments
Chief Executive				
Apprenticeship Levy Spend including Professional Qualifications	03.2 A communications plan will be developed to help make schools aware of the scheme.	In Progress	30/06/21 30/11/18	This is still 'in action'. Pandemic issues have given other priorities, however, schools have taken the opportunity to consider apprenticeships and uptake continues.

7. Financial implications

There are no financial implications arising directly from this report.

8. Legal implications.

The Accounts and Audit Regulations 2015, as amended in 2021, require the Council to undertake an effective internal audit, to evaluate the effectiveness of its governance, risk management and internal controls processes. This requirement is delivered in accordance with the Public Sector Internal Audit Standards 2017.

9. Equalities implications

There are no equalities implications arising directly from this report.

10. Climate change and environmental implications

There are no climate change or environmental implications arising directly from this report.

11. Crime and disorder implications

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

12. Health and wellbeing implications

There are no health and wellbeing implications arising directly from this report.

13. Background papers

There are no background papers.

14. Glossary

Term	Definition
Assurance Opinion	An independent assessment on the controls in place.
Recommendation	A suggestion made by internal audit on how to improve controls.
Management Action	The actions that management have agreed in order to implement the recommendation made by internal audit.

Term	Definition
Control	A process that is in place to facilitate achievement of an objective or to prevent or reduce a risk from occurring.

15. Report author and contact

If there are any queries on this report, please contact: Christine Webster, Interim Head of Internal Audit, on 202 8314 5617 or Kathy Freeman, Executive Director of Corporate Resources, on 020 8314 9249, or email them at: christine.webster@lewisham.gov.uk or kathy.freeman@lewisham.gov.uk.

Annex 1 – Definitions of audit assurance classifications

Explanations for Assurance Opinions

Each ‘assurance’ internal audit review is assessed with an opinion on the standard of controls in place based on the fieldwork conducted. The following table explains these opinions.

Assurance Opinion	Definition
★ Substantial	A strong framework of controls is in place to ensure that the service area is likely to achieve its objectives. The controls in place are consistently applied or with only minor lapses.
● Satisfactory	A sufficient framework of controls is in place, but could be strengthened to improve the likelihood of the service area achieving its objectives. The controls in place are applied, but with some lapses.
▲ Limited	There are insufficient controls in place. This increases the likelihood of the service area not achieving its objectives. Where controls do exist, they are not consistently applied.
■ No Assurance	The framework of controls is inadequate. This significantly increases the likelihood that the service area will not achieve its objectives. Where 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 risk exposure from issues identified in the audit and the importance of implementing the recommendation.

Rating	Definition
High	It is crucial that this recommendation is implemented urgently. This will ensure that the service area will significantly reduce the risk of not meeting its objectives.
Medium	Implementation of this recommendation should be completed 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.

Annex 2: Executive Summaries for Limited Assurance Audits

Payroll 2020/21

Corporate Resources (COR)

Overall Audit Opinion - Limited

Process Areas	High	Medium	Low
▲ 1. Starters and Leavers	1	1*	0
● 2. Salary, Benefits and Other payments	0	2	1
★ 3. Deductions	0	0	1
▲ 4. Reconciliations for Payroll	1^	0	0
Total	2	3	2

* This recommendation has been assigned to HR

^ This recommendation has been assigned to the Core Accounting Team

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

Key Findings

- * The overpayments monitoring sheet was not fit for purpose and was not kept up to date. Three overpayments found during testing were not recorded on the sheet and there was no evidence of repayments.
- * As at April 2021, the reconciliations in the 'BACS to Salaries' spreadsheet had not been completed as Finance did not have all the source documentation. The June reconciliation for payroll control accounts (payroll transactions to the general ledger) was not completed until August 2020. The February and March 2021 reconciliations were not completed, and January was work in progress at the time of the audit. The reconciliations were not always signed as completed by the reconciler or approver. *The associated recommendation from this finding has been assigned to the Core Accounting Team.*
- *One maternity payment was incorrect, and another could not be re-performed. Sick pay for one school employee was paid at Statutory Sick Pay (SSP) full rate, for which the employee did not qualify. Occupational Sick Pay (OSP) was not paid for another employee. Oracle also showed the employee as having 387 days sickness, when in fact for that period it was 140 days.
- The totals in the Costing (COST) reports did not always agree to the Gross to Net (GTN) reports. There were no student loan deductions in the COST reports from April to August. Pension employee deductions for May showed £810 difference.
- Two of 10 new starters reviewed (corporate), did not have a starter form on Oracle. One starter (corporate) form in place was not signed as being checked by HR. There were three school starters, for which there was no evidence of separation of duties to demonstrate input and checking of the details from the school. In addition, the salary for a senior manager was not

reported correctly on the Council's website. *The associated recommendation from this finding has been assigned to HR.*

Areas that worked well

- There were procedures in place on the new Oracle Payroll system for staff to refer to.
- Calculations in relation to deductions for student loans, teachers' pensions and National Insurance were all correctly completed.

Annex 3 – Progress with delivery of the Internal Audit Plan for 2021/22

1st Dir.	2nd Dir.	Audit	Planning	Fieldwork	Reporting
COM		97 - Compliance & Enforcement Surge Funding - Grant			
COM		98 - Community Testing Programme Grant Certification			
CYP		28 - Early Help Service Transformation			
HRPR		27 - Climate Change			
SCH	CYP	02 - Baring Primary 21-22			
CYP		30 - Youth First - Contract Management			
SCH	CYP	06 - Coopers Lane Primary 21-22			
SCH	CYP	07 - Downderry Primary 21-22			
SCH	CYP	01 - All Saints C of E Primary 21-22			
HRPR		37 - Homelessness			
CYP		63 - SENDIASS - Contract Management			
COM		96 - Targeted Community Testing - Grant Certification			
CEX	CYP	99 - Supporting Families Grant Verification 21-22			
HRPR		38 - Procurement and H&S of Temporary Accommodation and Private Sector Leasing			
HRPR	COR	39 - Capital Expenditure 21-22			
COR	ALL	29 - Health & Safety Checks for the Corporate Estate			
COR	COM	31 - Client Contributions for Care Provision 2021/22			
SCH	CYP	03 - Beecroft Garden 21-22			
SCH	CYP	04 - Brent Knoll Special School 21-22			
SCH	CYP	05 - Brindishe Lee Primary 21-22			
SCH	CYP	08 - Elfrida Primary 21-22			
SCH	CYP	09 - Eliot Bank Primary 21-22			
SCH	CYP	10 - Gordonbrock Primary 21-22			
SCH	CYP	11 - Greenvale Special School 21-22			
SCH	CYP	12 - Grinling Gibbons Primary 21-22			
SCH	CYP	13 - Haseltine Primary 21-22			
SCH	CYP	14 - Holy Trinity C of E Primary 21-22			
SCH	CYP	15 - John Ball Primary 21-22			
SCH	CYP	16 - Kelvin Grove Primary 21-22			
SCH	CYP	17 - New Woodlands Special School 21-22			
SCH	CYP	18 - Perrymount Primary 21-22			
SCH	CYP	19 - Sir Francis Drake Primary 21-22			
SCH	CYP	20 - St Bartholomew's C of E 21-22			
SCH	CYP	21 - St James' Hatcham C of E Primary 21-22			
SCH	CYP	22 - St John Baptist C of E Primary 21-22			
SCH	CYP	23 - St Saviour's RC Primary 21-22			
SCH	CYP	24 - St William of York Catholic Primary 21-22			
SCH	CYP	25 - St Winifred's Catholic Primary 21-22			
SCH	CYP	26 - Our Lady and Philip Neri Catholic Primary 21-22			
COR		32 - IT Security Arrangements / Cyber Security			
COR		33 - Office 365			
COM		34 - Leisure Contract			
COM		35 - Business Continuity Management			

1st Dir.	2nd Dir.	Audit	Planning	Fieldwork	Reporting
HRPR		36 - Section 106 / CIL arrangements			
COR		40 - Data Protection			
COR		41 - Council Tax 21-22			
COR		42 - Business Rates 21-22			
COR		43 - Housing Benefit and Council Tax Reduction Scheme			
COR		44 - Banking 21-22			
COR		45 - Academy - IT Audit			
COM	COR	46 - Budget Management - Community Services			
COM		47 - Multi Agency Support Hub - Adult Safeguarding			
HRPR		49 - Building for Lewisham			
HRPR	COR	50 - Budget Management - Environmental Services			
CYP		51 - Child Safeguarding - Quality Assurance			
CYP	COR	52 - Budget Management - CYP			
CEX		53 - Corporate Key Performance Indicators			
COR		54 - Payroll 21-22			
COR		55 - Accounts Payable 21-22			
COR		56 - Accounts Receivable 21-22			
COR		57 - Pensions 21-22			
COR		58 - Treasury Management 21-22			
COR		59 - Asset Management 21-22			
COR		60 - Main Accounting 21-22			
COM		61 - Partnership Working Governance Arrangements			
COR		62 - Risk Management			
COR		F01 - Banking Follow up on 2020-21 Review			
COR		F02 - Pension Scheme Administration - Follow up			
CEX		F03 - COVID 19 – Ring-fenced Grants - Follow up			
COM		F04 - Domiciliary Care Block Contracts - Follow up			
HRPR		F05 - Highways - Follow up			
CEX		F06 - HR Policies - Follow up			
COR		F07 - Oracle HR / Payroll - Follow up			