



AGENDA AUDIT PANEL

Date: THURSDAY, 20 SEPTEMBER 2018 at 7.00 pm

**Committee Room 4
Civic Suite
Lewisham Town Hall
London SE6 4RU**

**Enquiries to: Olga Cole
Telephone: 0208 314 8577 (direct line)**

COUNCILLORS

Councillor Alan Hall
Councillor Mark Ingleby
Councillor Louise Krupski
Councillor Paul Maslin
Councillor Joan Millbank
Councillor James Rathbone

Independent Members

Carole Murray
Ian Pleace
Stephen Warren
1 Vacancy

Members are summoned to attend this meeting

This meeting is an open meeting and all items in the open agenda may be audio recorded and/or filmed

**Ian Thomas
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: 12 September 2018**



INVESTOR IN PEOPLE

The public are welcome to attend our committee meetings, however occasionally committees may have to consider some business in private. Copies of reports can be made available in additional formats on request.

ORDER OF BUSINESS – PART 1 AGENDA

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Agenda Item 1

AUDIT PANEL		
Report Title	MINUTES	
Key Decision		Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 20 September 2018

Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 12 July 2018 be confirmed and signed.

MINUTES OF THE AUDIT PANEL

Thursday, 12 July 2018 at 7.00 pm

PRESENT: Councillors Alan Hall (Chair), Mark Ingleby (Vice-Chair), Louise Krupski, Joan Millbank, Carole Murray, Ian Pleace and Stephen Warren

12. Election of Chair and Vice Chair

RESOLVED that

- i. Councillor Hall be appointed as Chair of the Audit Panel for the 2018/19 Municipal year.
- ii. Councillor Ingleby be appointed Vice Chair of the Audit Panel for the 2018/19 Municipal year.

13. Minutes

The Head of Financial Services informed Panel Members that the first phase of the transition from Prince to Oracle Cloud had gone live, and Oracle Cloud would remain a standing item on the agenda going forward.

Ian Pleace congratulated officers on their achievement and requested an update at the next meeting on progress and significant details of the operation.

Action >>>>> Head of Financial Services

RESOLVED that the minutes of the open meeting held on 20 March 2018 be agreed as a correct record.

14. Declarations of Interests

Councillor Ingleby declared a personal non pecuniary interest in item 4 as a Director for Lewisham Homes.

Ian Pleace declared a personal non pecuniary interest in item 4 as the Director of Finance at Goldsmiths University, and Goldsmiths University would be bidding for good growth funding with the Council.

15. Pre Audit Statement of Account 2017-18 and Annual Governance Statement

The Head of Financial Services introduced the report and informed Panel Members that the Accounts were submitted at the end of May in line with audit procedures. It was noted that the Accounts would be going to the Council meeting on 18 July to be signed off by the end of July.

The Chair said it might be a bit early for signing off the Accounts by Council as all the work had not been completed.

Councillor Krupski questioned the figures of the Children and Young People's Directorate's gains and was told the method of valuation had changed, and the school's land value had increased to £128m. This valuation was for what the land could be used for. Panel Members stated that the report could be made more user friendly by adding some narratives to explain the figures. Officers assured Members that they would make the reports more user friendly going forward. The Head of Corporate Resources said a good template would be useful, and Ian Pleace responded that Goldsmiths have a good one, and he would be glad to help.

Action >>>>> Head of Financial Services

Stephen Warren informed Panel Members that he would not normally expect depreciation to be negative, especially at £98m, he asked officers for an explanation. Panel Members were told the report had been updated, and unfortunately they were looking at an early draft. The Chair said Panel Members would need to see the updated report once it had been signed off.

Action >>>>> Head of Financial Services

Councillor Ingleby asked for an explanation on non-current assets as stated on page 54 of the report, and was told officers would get back to him as soon as possible.

Action >>>>> Head of Financial Services

RESOLVED that the report and its appended documents be noted.

16. Audit Draft Findings 2017-18

Andy Ayre, External Auditor Grant Thornton, introduced the report, and informed Panel Members that all the work was on track and there was nothing to indicate that the Council would not get an unqualified opinion. Councillor Krupski asked what percentage of the work had been completed and was told 80%. Ian Pleace said this was reassuring, as there was not much left to do. The Head of Financial Services said officers were also anticipating an unqualified opinion.

Officers informed Panel Members value for money, and transformation programmes were all delaying the work. Panel Members asked about the timescale for determination and were told the delay had arisen because of the difficulty of the volume of work officers had to go through, they had 15 PFIs to address. He said next year would be different, as the LOBO loans were simpler. The Chair received confirmation that the Accounts could still be signed off even if some of the audits were delayed.

Stephen Warren asked for an update of the analytic report to the next meeting, once the value for money conclusion had been considered. He also asked officers to respond to Panel Members' concerns about the Council's approach towards use of reserves.

Action >>>>> Head of Corporate Resources

Audit Findings Pension Fund

Andy Ayre, External Auditor Grant Thornton, introduced the report, and informed Panel Members that it was straight forward, with nothing significant, and mostly completed. He said they were confident the Council would get an unqualified opinion.

Panel Members raised concerns about the prior year's recommendation on 45 of the report and were told Management were addressing this and an update would come to the next Audit Panel meeting. It was also noted that the Annual Report would be reported to the Pension Investment Committee during Autumn (November).

Panel Members requested both the Audit Findings and Annual Report to be brought back to the next appropriate meeting.

Action >>>>> Head of Financial Services, Head of Corporate Resources

RESOLVED that the reports be noted.

17. Annual Assurance Report 2017-18

The Head of Corporate Resources introduced the report. He informed Panel Members that the overall adequacy and effectiveness of the Council's risk management systems and internal control environment during 2017-18 was Satisfactory. This was an improvement from last year's Limited Opinion. He told Panel Members that use of Oracle Cloud would have to be successfully implemented as the Council's core financial systems to ensure a positive outcome opinion next year.

The Head of Corporate Resources stated that resources for internal audit were quite tight with the budget process, and Lewisham was in the lower quartile of London Boroughs on the benchmark for audit days.

The Chair thanked officers for the report and asked what they would like to highlight to Members, and was told that although the opinion had improved from Limited to Satisfactory the Council could still be at risk. Following a question from the Chair the Head of Corporate Resources informed Panel Members that all schools had positive opinions, and officers had looked at nine risk areas, all of them were satisfactory.

Carole Murray said she was glad to note the core audits had gone up as that was one of her key concerns. She added that officers needed to concentrate on the core contract management as this might lead to overspend.

Mr Pleace commented that officers ought to know that some audit sections had installed Pentel software and found it was not successful. The Audit Manager responded that they were aware of the risks of implementing a new system and have been working with the provider on the implementation to ensure it works, and hopefully it should be signed off in the next few months. Officers would then monitor the output.

Carole Murray said she was concerned about the number of recommendations listed for Sir Francis Drake school. The Audit Manager's response was that although their performance had been poor during the first half of the year they had improved during the second half. Ian Pleace said he was concerned that segregation of duties and basic control were still an issue and this could be very problematic going forward.

In respect of the core financial audits, Mr Pleace said before they had two Limited reports and now zero assumption, and that it felt very risky. The Head of Corporate Resources said officers were hoping that the installation of Oracle Cloud would address most of the risks and reduce the level of manual controls and workarounds. The Head of Financial Services said officers had worked very hard with Oracle Cloud and although there were some risks at this stage officers were positive of the outcome.

In response to Councillor Krupski's query Panel Members were assured that the information from HR solution that was being fed into the system was accurate. The Head of Financial Services said officers felt things were moving in the right direction, and the second phase would come in place in the Autumn and the system would go live in April 2019.

Following Ian Pleace's concerns about the migrated balances, and data cleansing exercise being a big risk the Head of Financial Services stated that they had cleared out the old data in the correct way and data cleansing continues to ensure that the information inputted is correct. The Head of Financial Services said officers anticipated just smaller problems. Mr Pleace asked that officers update Panel Members periodically when they review the system, and to also have details of balances as a standing report on the agenda.

Action >>>>> Head of Financial Services

Resolved that:

- i. the report be noted.
- ii. officers report back to the next meeting how they would be addressing the issues raised on section 9 of the report.

18. Internal Audit Update

The Head of Corporate Resources introduced the report, and informed Panel Members that the Internal Audit Charter had not changed, and there was not any substantial change to the draft Audit Plan presented in March.

Panel Members raised concerns over the length of time it was taking some managers to address audit recommendations. The Head of Corporate Resources said the responsible manager could be invited to an Audit Panel Meeting to explain the delay. The Chair asked Panel Members to let him know of any area of concern.

Panel Members also highlighted that contract management seemed very weak, and questioned whether the Council was getting value for money. Officers were told they would need to address this issue.

The Chair asked officers to send him a copy of one of the two Limited reports issued since the last meeting, the Catford Regeneration Partnership Ltd (CRPL). He added that in the past he had raised concerns about the number of Directors in the company, (both Council officers). He said he had suggested at least 3 Directors, and hoped this was being dealt with.

Action >>>>> Head of Corporate Resources

RESOLVED that:

- i. the report be noted.
- ii. the Audit Plan for 2018/19 be approved.
- iii. the Internal Audit Charter be approved.

Meeting ended: 8.15pm

Chair

Agenda Item 2

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 2
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 20 September 2018

Members are asked to declare any personal interest they have in any item on the agenda.

1 Personal interests

There are three types of personal interest referred to in the Council's Member Code of Conduct :-

- (1) Disclosable pecuniary interests
- (2) Other registerable interests
- (3) Non-registerable interests

2 Disclosable pecuniary interests are defined by regulation as:-

- (a) Employment, trade, profession or vocation of a relevant person* for profit or gain
- (b) Sponsorship –payment or provision of any other financial benefit (other than by the Council) within the 12 months prior to giving notice for inclusion in the register in respect of expenses incurred by you in carrying out duties as a member or towards your election expenses (including payment or financial benefit from a Trade Union).
- (c) Undischarged contracts between a relevant person* (or a firm in which they are a partner or a body corporate in which they are a director, or in the securities of which they have a beneficial interest) and the Council for goods, services or works.
- (d) Beneficial interests in land in the borough.
- (e) Licence to occupy land in the borough for one month or more.

- (f) Corporate tenancies – any tenancy, where to the member’s knowledge, the Council is landlord and the tenant is a firm in which the relevant person* is a partner, a body corporate in which they are a director, or in the securities of which they have a beneficial interest.
- (g) Beneficial interest in securities of a body where:-
- (a) that body to the member’s knowledge has a place of business or land in the borough; and
 - (b) either
 - (i) the total nominal value of the securities exceeds £25,000 or 1/100 of the total issued share capital of that body; or
 - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person* has a beneficial interest exceeds 1/100 of the total issued share capital of that class.

*A relevant person is the member, their spouse or civil partner, or a person with whom they live as spouse or civil partner.

(3) Other registerable interests

The Lewisham Member Code of Conduct requires members also to register the following interests:-

- (a) Membership or position of control or management in a body to which you were appointed or nominated by the Council
- (b) Any body exercising functions of a public nature or directed to charitable purposes , or whose principal purposes include the influence of public opinion or policy, including any political party
- (c) Any person from whom you have received a gift or hospitality with an estimated value of at least £25

(4) Non registerable interests

Occasions may arise when a matter under consideration would or would be likely to affect the wellbeing of a member, their family, friend or close associate more than it would affect the wellbeing of those in the local area generally, but which is not required to be registered in the Register of Members’ Interests (for example a matter concerning the closure of a school at which a Member’s child attends).

(5) Declaration and Impact of interest on member’s participation

- (a) Where a member has any registerable interest in a matter and they are present at a meeting at which that matter is to be discussed, they must declare the nature of the interest at the earliest opportunity and in any event before the matter is considered. The declaration will be recorded in the minutes of the meeting. If the matter is a disclosable pecuniary interest the member must take no part in consideration of the matter and withdraw from the room before it is considered. They must not seek improperly to influence the decision in any way. **Failure to declare such an interest which has not already been entered in the Register of Members' Interests, or participation where such an interest exists, is liable to prosecution and on conviction carries a fine of up to £5000**
- (b) Where a member has a registerable interest which falls short of a disclosable pecuniary interest they must still declare the nature of the interest to the meeting at the earliest opportunity and in any event before the matter is considered, but they may stay in the room, participate in consideration of the matter and vote on it unless paragraph (c) below applies.
- (c) Where a member has a registerable interest which falls short of a disclosable pecuniary interest, the member must consider whether a reasonable member of the public in possession of the facts would think that their interest is so significant that it would be likely to impair the member's judgement of the public interest. If so, the member must withdraw and take no part in consideration of the matter nor seek to influence the outcome improperly.
- (d) If a non-registerable interest arises which affects the wellbeing of a member, their family, friend or close associate more than it would affect those in the local area generally, then the provisions relating to the declarations of interest and withdrawal apply as if it were a registerable interest.
- (e) Decisions relating to declarations of interests are for the member's personal judgement, though in cases of doubt they may wish to seek the advice of the Monitoring Officer.

(6) Sensitive information

There are special provisions relating to sensitive interests. These are interests the disclosure of which would be likely to expose the member to risk of violence or intimidation where the Monitoring Officer has agreed that such interest need not be registered. Members with such an interest are referred to the Code and advised to seek advice from the Monitoring Officer in advance.

(7) Exempt categories

There are exemptions to these provisions allowing members to participate in decisions notwithstanding interests that would otherwise prevent them doing so. These include:-

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)

Oracle Cloud

Page
Audit Panel

Wyn Thompson – Head of Financial Services, LB Lewisham

September 2018

roducing the London Borough of Lewisham



ur Organisation

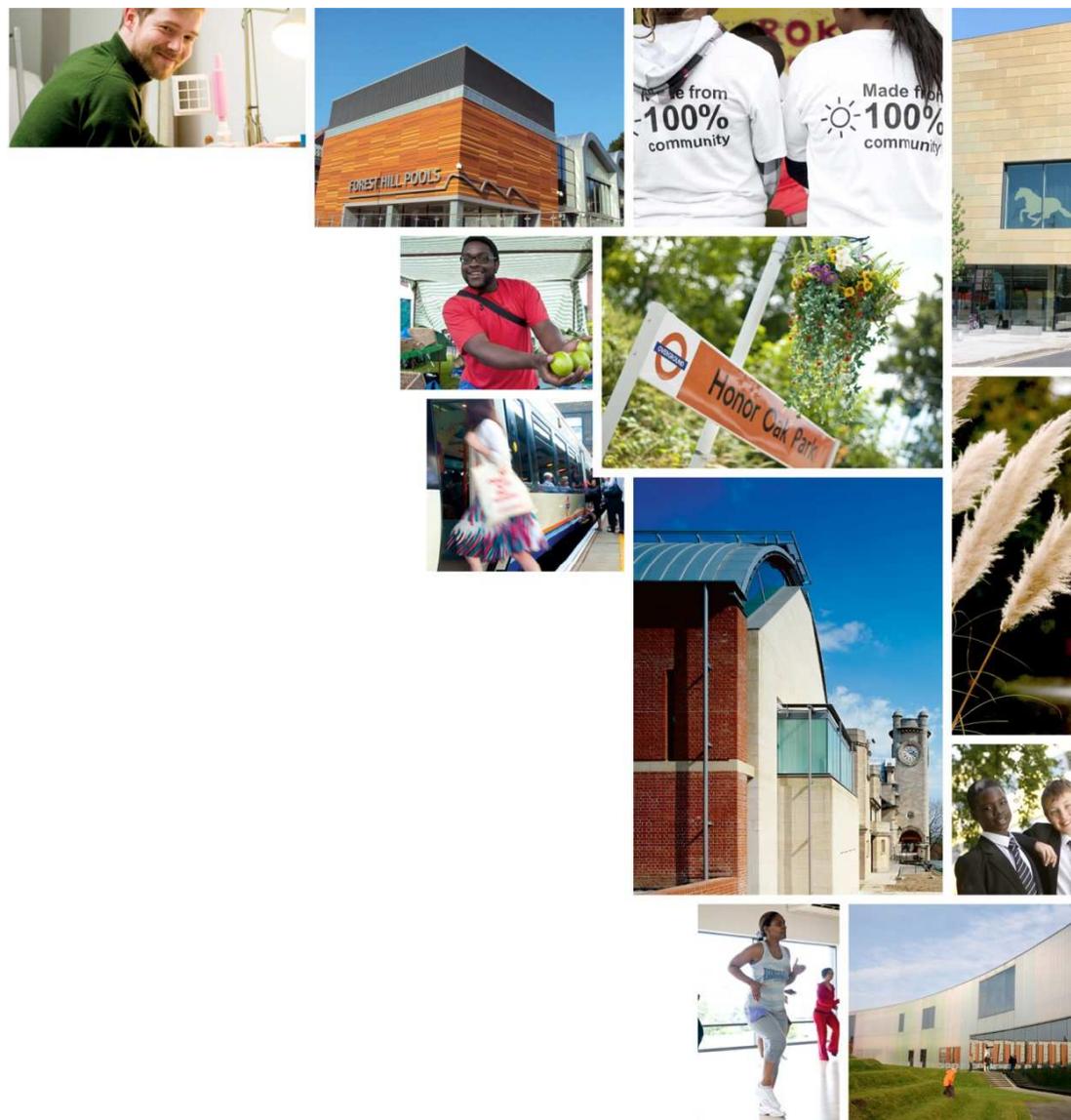
ur vision 'Together we will make Lewisham the best place
n London to live, work and learn'

ze and make up of the authority

- 13.4 square miles
- Population of circa 306,000 (2016)
- Projected growth to 323,000 (2021) and 357,000 (2031)
- Global borough with 70+ nationalities represented
- One in four residents aged 0–19 years
- Political administration is Labour

umber of users

- 2,300 Council staff
- 5,700 Schools based staff
- 600 Lewisham Homes staff (HR and Payroll services)
- 7,000 pensioners



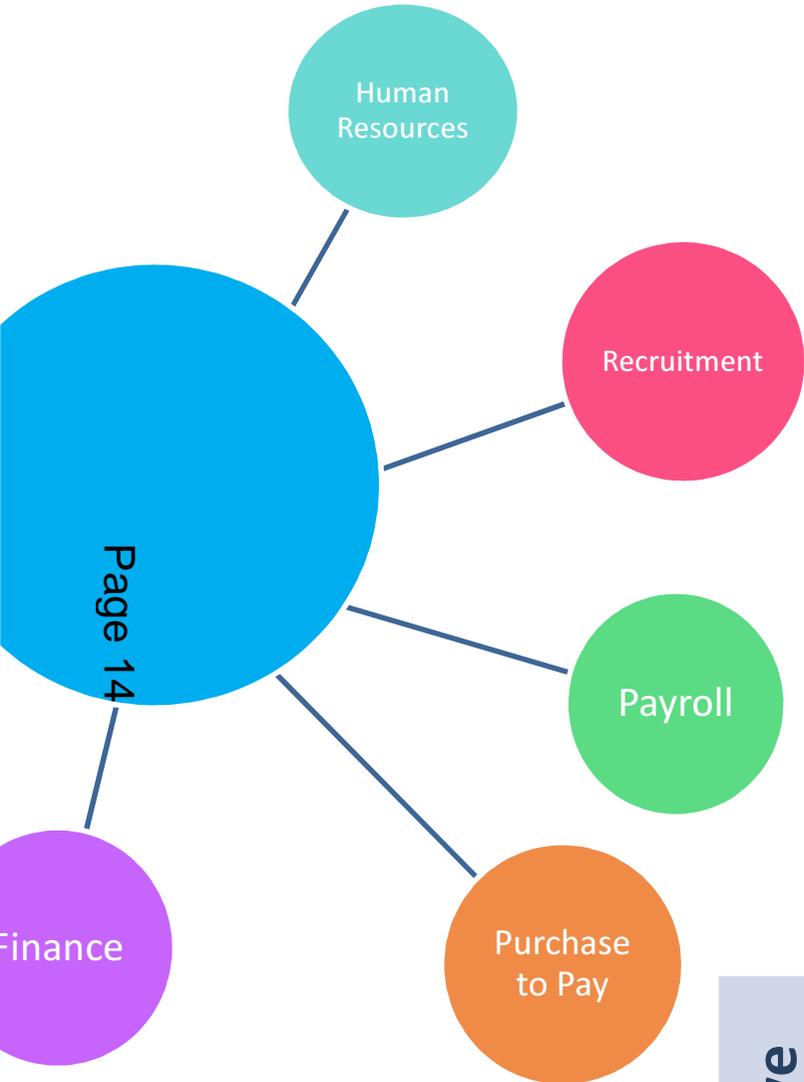
Our Business Drivers for Change.....



Existing solution and business challenges for Lewisham

- OneOracle platform for Finance and Procurement with 6 (plus 1) other Councils.
- ResourceLink provided by NorthgateArinso for Payroll and HR services – This is a unique position which Lewisham finds itself in....
- Challenges with the configuration, functionality and support of our current Payroll and HR solution
- Resource intensive to maintain accurate records between the two solutions e.g. different coding structures
- Time wasted adapting information to make it meaningful to the end user
- Complex dynamics between partners. e.g. change requests



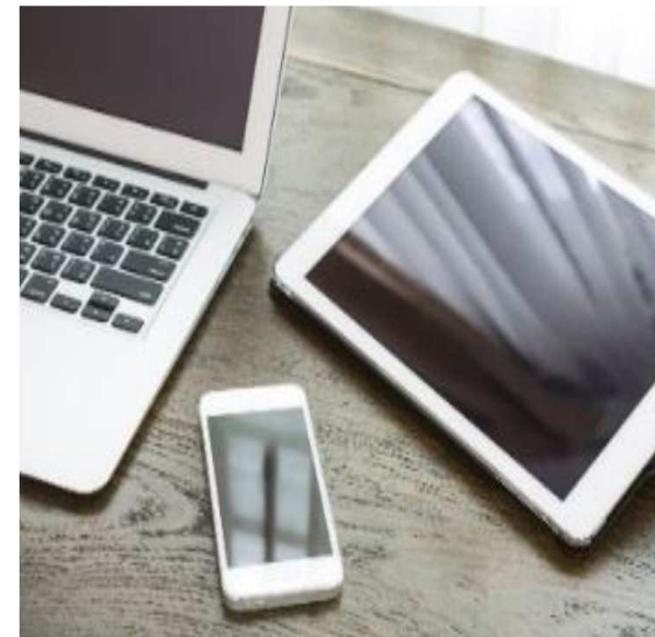


	May 2018	Summer 2018	April 2019	Summer 20
Go Live	<ul style="list-style-type: none"> • Purchase to Pay • Cost Centre Management • Recruitment 	<ul style="list-style-type: none"> • Planning Budgeting Cloud Service (PBCS) 	<ul style="list-style-type: none"> • HR Self Service • Payroll 	<ul style="list-style-type: none"> • HR Perform

Our Main Drivers for Change.....

Our main drivers for change

- Contracts was due to expire with ResourceLink in March 2018 (now extended for a short period) and with OneOracle in June 2018
- Supports and complements Lewisham's Smarter Working – Better Office Space Programme:
An opportunity to work simpler, smarter and create a stronger organisation:
 - Ensuring that our customers remain at the heart of all we do
 - Investing in our workplace – e.g. Laurence House refurbishment
 - Investing in your technology; Office 365, SharePoint, Skype, teleconference facilities
 - Creating a more flexible and agile workforce through behaviour, culture and policies
- Seeking further revenue budget efficiencies from limited resources **£x**



Why We Felt Oracle Cloud was the right Solution

Lewisham has been in a contractual relationship with the Oracle Corporation since the 1990s –
Sought to continue and built this into our business case

Finance and Procurement solution on e-Business Suite generally works well

Opportunity to make improvements to management information

Opportunity to standardise, system and business processes – fully integrated ERP

Reduction in system maintenance and support requirements

Building a stronger self-service culture

Supports flexible and agile working

Digital interactions with customers and suppliers

Reducing manual intervention e.g. data entry

Potential cost reductions



the Programme Team....

Key roles on the Programme –

- Programme SRO,
- Business lead for each functional area,
- Functional consultant responsible for each module,
- Delivery Programme manager,
- Evosys Programme Manager
- Supplier Relationship Manager, Change lead, Technology lead, Internal Communication lead.

- Our programme comprises a mix of skills and experience and includes Lewisham staff, Socitm consultants and are matched by Evosys consultants

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Governance – SRO, Oracle Programme Board, Programme Teams.

Following an MSP model with Agile delivery

Stakeholder engagement – Key stakeholders in the Programme Board covering the teams and users affected. Engagement as a corporate programme at portfolio management level through our digital council transformation board.



Where are we on our journey and what are the key learning points for Audit Panel to note....



What we have completed so far....

- Extensive range of workshops Conference Room Pilots
- Demonstrations and walkthroughs
- Understanding Business requirements
- Organisation impact assessments development
- Developing the change, communication and engagement programme

Key learning points so far....

- Development of a solid working relationship with Evosys, Socitm and Oracle
- Maintain an open and continual dialogue
- Oracle Cloud solution is a new product, still evolving – Evosys consultants have sound product knowledge and have been an effective critical friend.
- Take time to understand the end-to-end solution and the enormity of cultural shift
- Important to challenge existing business processes. We have done this with the functional leads, Socitm and Evosys consultants e.g. Adopt vs Adapt



here we are starting to understand how the product will help us realise our benefits



have developed a set of core principles:

The scope of the programme will not only cover the implementation of the new solution, but also other related systems and the culture change required to make the new system a success. In particular we intend to:

- Ensure that ongoing support and training arrangements are considered early in the programme
- Create an expectation that ALL staff will use the new system with no additional input from business support

benefits to be realised:

- Revenue budget savings from Finance, HR, Business Support and IT etc.,
- Better financial forecasting
- Better supplier management
- Better workforce planning
- Reduced burdens on business support
- Improvement in key SLAs (e.g. days taken to process payroll changes)



CORE HR and ERP GO LIVE RISKS

INDEX	AREA	SCENARIO	CURRENT RISK	RESIDUAL RISK (Y,N) AND DESCRIPTION OF RISK	LIKLIHOOD (H/M/L)	IMPACT (H/M/L)	POLICY AND PROCESS
1	Technical access	User access system via remote desktop	User emails finance and HR reports/information outside the network to an unmanaged device (against policy).	N. Users would continue to do this	n/a	n/a	Existing policy suffices but project should remind staff of their obligations
2	Technical access	Lewisham staff access system on unmanaged device via a web browser	n/a	Y. User can download data locally directly from the system and then if they lose device the Council has no way to wipe this remotely. Likelihood of them downloading	M	M	Policy that they should (a) not download data locally and (b) only access systems on devices managed by IMT.
3	Technical access	Lewisham staff access system on unmanaged device via a web browser	n/a	Y. Mobile devices have less protection against malware i.e. screenscraping login details.	L	?	Policy that staff should only access systems on devices managed by IMT
4	Technical access	User accesses system from managed device	User can download data locally (e.g. HR or finance data) and then lose the device. Unlike the above, these devices can be wiped	N. Users already have access to this data on mobiles via email	n/a	n/a	n/a
5	User access	Non permitted staff member given access to the system	Staff leave but continue to have access to the system to view data	N. Reduced risk as access is linked to role. If a person replaces a member of staff their permissions are transferred.	n/a	n/a	n/a
6	Data security	Lewisham staff given the wrong role	Lewisham user receives wrong role in the system and can see sensitive data (and carry out transactions) unrelated to their role	N. As now roles and data access are authorised by the data owner. There is no auto provisioning of roles for any employees so the risk remains the same	n/a	n/a	n/a
7	Data security	'Collateral intrusion' - data can be viewed by user who should not be able to access it		Y as an integrated system. HR data can be viewed by finance			
8	Data security	Third parties accessing the system e.g. schools	The same data loss risks as for Lewisham employees, however the third party owns the risk not us	N.	n/a	n/a	n/a
9	Data security	Data at rest in Oracle Fusion	Data at rest is compromised - either digitally or physically	N. System complies with the government's 'Cloud Security Principles' and best practices. Encryption is optional and is not an essential requirement.	n/a	n/a	Oracle owned

10	Data security	Data in transit	If the data is not protected, it could be intercepted or stolen	N. Data will be encrypted. Assurance on encryption provided by Blackberry in March 2018	n/a	n/a	RICHARD
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SOLUTIONS	
PEOPLE (TRAINING AND GUIDANCE)	TECHNOLOGY
Project should remind staff as part of the comms, as we did with phase two rollout	n/a
Staff education and training. Online DP training with explicit reference to mobile working	Two options: (a) a brokerage technology which provides additional controls to user accounts. (b) whitelisting continues in place until working
n/a	Oracle owned
n/a	n/a
n/a	n/a
n/a	n/a
n/a	n/a
Oracle owned	Oracle have implemented a range of controls, assured by the Oracle security working group

RICHARD	Data will be encrypted in transit end to end using secure data transfer protocol (HTTPS / SFTP key length 128 bit).
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Agenda Item 4

AUDIT PANEL			
Report Title	Final Accounts 2017/18 – Grant Thornton’s External Audit Reports		
Key Decision	No	Item No.	4
Ward	ALL		
Contributors	Executive Director for Resources and Regeneration		
Class		Date:	20th September 2018

1. PURPOSE

- 1.1 The purpose of this cover report is to present to the Audit Panel the reports by Grant Thornton on their findings during the external audit of the Council’s 2017/18 Main Accounts and Pension Fund Accounts.
- 1.2 Grant Thornton’s report regarding Value for Money on the Council’s arrangements in place for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness, is included within the Main Accounts report.

2. RECOMMENDATION

- 2.1 It is recommended that the Audit Panel consider and note the attached reports from the Council’s external auditors, Grant Thornton.

APPENDICES

- 1 – Grant Thornton – The Audit Findings for the London Borough of Lewisham and the Value for Money report – Year ended 31 March 2018. **ATTACHED**
- 2 - Grant Thornton – The Audit Findings for the London Borough of Lewisham Pension Fund - Year ended 31 March 2018. **ATTACHED**

Audit Findings

Year ending 31 March 2018

London Borough of Lewisham Council

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Your key Grant Thornton
team members are:

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Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key issues arising from the statutory audit of London Borough of Lewisham Council ('you') and the preparation of the group and your financial statements for the year ended 31 March 2018 for those charged with governance.

<p>Financial Statements</p>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the group and your financial statements give a true and fair view of the group and your financial position and of the group and your expenditure and income for the year, and have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work is nearing completion as at the date of writing this report. Our findings are summarised on pages 5 to 21. We have not to date identified any adjustments to the financial statements that have impacted significantly on your General fund financial position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>We had planned to complete our audit work to deliver our opinion by 31 July 2018, which is two months earlier than the prior year. A number of factors meant we were not able to fully conclude our work by the deadline. Some of the challenges arose due to the implementation of the new financial ledger system. This is an inevitable consequence of any large scale change of this nature, and an element of disruption was unavoidable. A number of key factors meant it was not possible to complete the work by the 31 July. This included the following:</p> <ul style="list-style-type: none"> Delays in obtaining sufficient documentation for us to gain assurance over the completeness of journals listings. Delay in obtaining a Valuation Office Agency statement supporting the number of dwellings in the borough as at 31 March 2018. We challenged the technical accounting treatment of a Lender Option Borrower Option Loans (LOBO) that was restructured in 2017/18, which resulted in officers recalculating the fair value of the loan and updating disclosures. This was a complex exercise. We have not yet been provided with a formal signed response to the letters sent to those charge with governance covering compliance with laws and regulations. <p>We have now received the majority of the information required for our audit. Subject to the following remaining items being resolved, we anticipate issuing an unqualified audit opinion, as detailed in Appendix E.</p> <ul style="list-style-type: none"> Completion of testing of some residual expenditure samples; Receipt of senior officers' declarations of interest; Receipt and review of responses to letters sent to those charged with governance; and Receipt of listing of 2017-18 teachers' pay across all months for schools not on the Council's payroll system, and subsequent testing as required <p>The following closing procedures are concluded at the end of the audit:</p> <ul style="list-style-type: none"> Receipt of your management representation letter; Review of the final set of financial statements; Final senior management and quality reviews; and Review of Whole of Government Accounts. <p>Following sign off of the financial statements, we will hold a wash up session with the finance team to identify lessons learnt and implementation of improvements in our joint working in 2018-19.</p> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we are auditing.</p>
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Headlines continued

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- you have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')

In our audit plan we reported a significant risk in respect of the governance arrangements over your transformation programmes. You have undertaken an internal review of these processes. We are in the process of reviewing your work and interviewing officers and collating evidence in respect of this risk. This is unlikely to be completed by the time we issue our audit opinion on your financial statements.

We plan to issue our vfm conclusion after we have completed our work in respect of this risk.

We have undertaken work on the other significant risks we identified in our audit plan in respect of our vfm work. We will consider our final vfm conclusion once our work in respect of all significant risks is completed.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- certify the closure of the audit

We have not exercised any of our additional statutory powers or duties.

In the prior year 2016/17 audit, we received two objections from electors in respect of your LOBO loans. We are still awaiting information from the Council to enable us to consider our response to these objections. As such, we have not yet certified the closure of the 2016/17 audit.

We will not be able to certify the conclusion of the 2017/18 audit until we have certified the closure of the prior year audit and completed our work in respect of your 2017/18 VFM conclusion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the helpful assistance provided by management, the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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Audit approach

Our audit approach was based on a thorough understanding of the group and your business and is risk based, and in particular included:

- An evaluation of the components of the group based on a measure of materiality, considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that a comprehensive audit response was required for the London Borough of Lewisham and a targeted, analytical approach was required for Lewisham Homes Limited and Catford Regeneration Partnership Limited components.
- An evaluation of your internal controls environment including your IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We are anticipating giving you an unqualified audit opinion, subject to the completion of outstanding work set out on page 3.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our materiality calculations have been updated from the planning materiality reported to you in the Audit Plan. This was to reflect the decrease in gross expenditure (adjusted for one-offs) in the 2017/18 draft accounts compared to the final 2016/17 accounts. The basis of the calculation (1.75% of gross expenditure) remains the same. We have not identified any areas that require a materiality for specific transactions, balances or disclosures. We have used this level of materiality for group consideration as the value of transactions through the subsidiaries would not have a significant impact on the materiality level

Amount (£)

Materiality for the financial statements	17,004,000
Performance materiality	11,903,000
Trivial matters	850,000

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- There is little incentive to manipulate revenue recognition.
- Opportunities to manipulate revenue recognition are very limited.
- The culture and ethical frameworks of local authorities, including London Borough of Lewisham Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for you.

2
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Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending, and this could potentially place management under undue pressure in terms of how they report performance.

We identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

We have completed the following work in relation to this risk:

- Review of accounting estimates, judgments and decisions made by management.
- Review of journal entry process and selection of large and unusual journal entries for testing back to supporting documentation.
- Review of unusual significant transactions.

We have not identified any material issues from our testing that require reporting as at the date of this report that we need to report to you.

Significant audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of property, plant and equipment

You revalue your land and buildings at least every five years as a minimum or more regularly where a five-yearly valuation is insufficient to keep pace with material changes to fair value, to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

Auditor commentary

We have completed the following work in relation to this risk:

- Reviewed management's processes and assumptions for the calculation of the estimate.
- Reviewed the competence, expertise and objectivity of any management experts used.
- Reviewed the instructions issued to valuation experts and the scope of their work.
- Discussed the basis on which the valuation was carried out with your Valuer, challenging the key assumptions.
- Tested revaluations made during the year to ensure they were input correctly into your asset register and financial statements.
- Reviewed and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding.
- Evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.

Our audit work has not identified any material issues in respect of valuation of property, plant and equipment as at the date of this report that we need to report to you.

4

Valuation of pension fund net liability

Your pension fund liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

Auditor commentary

We have completed the following work in relation to this risk

- Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.
- Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation.
- Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.
- Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.

Our audit work has not identified any material issues in respect of valuation of the pension fund net liability as at the date of this report that we need to report to you.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

1

Employee remuneration

Payroll expenditure represents a significant percentage of your expenditure.

As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.

Auditor commentary

We are undertaking the following work in relation to this risk

- Documented our understanding of processes and key controls over the transaction cycle.
- Undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding.
- Obtained and reviewed the year-end payroll to general ledger reconciliation and investigated any significant reconciling items.
- Agree payroll related accruals to supporting documents and review the reasonableness of estimates.
- Completed substantive analytical procedures on the completeness of payroll.

As set out on page 3, we have not completed our testing of employee remuneration as we are awaiting information from management to enable us to complete our work on schools' payroll. Subject to the satisfactory receipt of this evidence and completion of our work, at this stage we have not identified any material issues that require reporting.

2

Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage of your operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

Auditor commentary

The following audit work has been performed:

- Evaluated your accounting policy for recognition of non-pay expenditure for appropriateness; and
- Gained an understanding of the your system for accounting for non-pay expenditure and evaluate the design of the associated controls.
- Sample cut off testing of payments made in April and May 2018 to ensure these have been charged to the appropriate year. We are still waiting for some of these sample items back.

We have not identified any significant issues that require reporting as at the date of this report that we need to report to you.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Income from Council Tax, Non-Domestic Rates and rents is accounted for in the year it is due. Income from the sale of goods is recognised when you transfer the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will be received. Income from the provision of services is recognised when you can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will be received. Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. 	We reviewed your revenue recognition policies. We have no material concerns with your revenue recognition policies or with the application of those policies. The revenue recognition policies adopted are in line with the CIPFA Code of Practice on Local Authority Accounting.	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include <ul style="list-style-type: none"> Revaluations and impairments Useful life of PPE Expenditure accruals Accounting for PFI Schemes Valuation of pension fund net liability Provision for NNDR appeals Other provisions IAS 19 asset valuation 	We have not identified any material issues in relation to any of the areas of estimate and judgement reflected within the financial statements.	 Green
Other critical policies		We have reviewed your policies against the requirements of the CIPFA Code of Practice on Local Authority Accounting. Your accounting policies are appropriate and consistent with previous years.	 Green

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
①	Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Panel. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
②	Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
③	Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④	Written representations	A standard letter of representation has been requested from you, including specific representations in respect of the Group, which is included in the Audit Panel papers.
⑤	Confirmation requests from third parties	We requested from management permission to send confirmation requests to banking and investment institutions that you had deposits or loans with. This permission was granted and the requests were sent. All of the requests have been received and all were returned with positive confirmation.
⑥	Disclosures	Our review has so far found no material omissions in the financial statements.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to appendix E</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters</p>
③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £500m we examine and report on the consistency of the WGA consolidation pack with your audited financial statements. This work has not yet been completed.</p>
④ Certification of the closure of the audit	<p>We do not expect to be able to certify the completion of the 2017/18 audit of London Borough of Lewisham Council in our auditor's report, as detailed in Appendix E. This is because the certificate for 2016/17 has not yet been issued, as we are awaiting information from management in respect of two objections received from an elector in 2017. In addition, we will need to undertake further work on our Value for Money conclusion in respect of the significant risk over your transformation projects, following the conclusion of your own review into matters arising in this area. Finally, we are unable to certify the audit as closed until we have issued our opinion on your pension fund annual report. The deadline for this is not until December 2018 and management has not yet produced this report, as allowed by the deadline.</p>

Value for Money

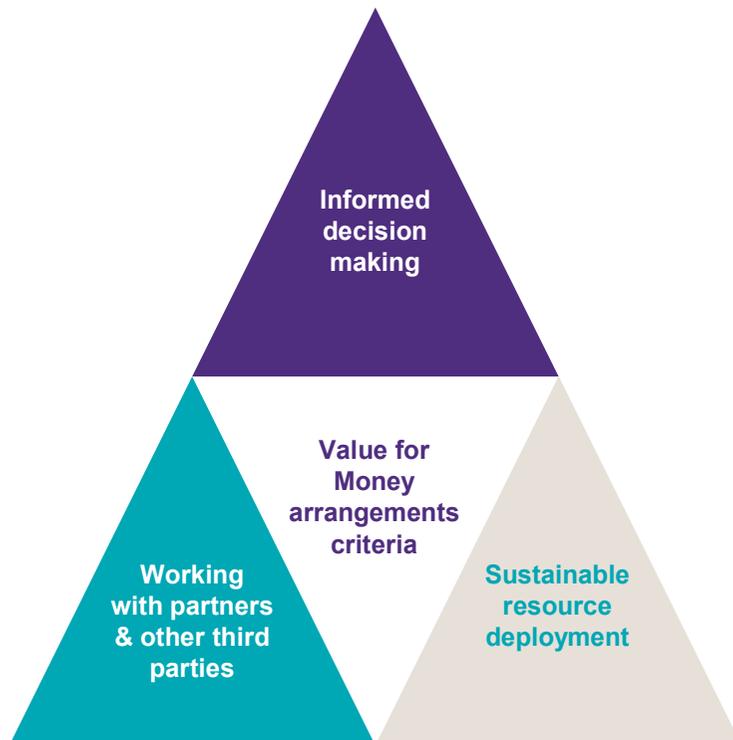
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the you have proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January and February and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2018. The risks that we identified were as follows:

- budget management;
- savings and medium term financial planning; and
- transformation

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of your arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in your arrangements. In arriving at our conclusion, our main considerations were:

- Your outturn position against general fund revenue budgets for 2017/18
- Whether your Medium Term Financial Strategy is based up a reasonable assumptions
- The appropriateness of arrangements in place in respect of your transformation programmes

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 14 to 19.

Overall conclusion

In our audit plan we reported a significant risk in respect of the governance arrangements over your transformation programmes. You are in the process of undertaking an internal review of these processes and in respect of a number of matters that have arisen. We are awaiting the conclusion of your review prior to undertaking our work in respect of this risk. This is unlikely to be completed by the deadline of 31 July 2018.

We plan to issue our vfm conclusion after we had an opportunity to consider your review and complete our work in respect of this risk.

We have undertaken work on the other significant risks we identified in our audit plan in respect of our vfm work. We will consider our final vfm conclusion once our work in respect of all significant risks is completed.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

You are in the process of undertaking an internal review of governance arrangements over your transformation schemes. We are awaiting the conclusion of your review prior to completing our work.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings and conclusion
<p>Budget Management</p> <p>You are currently (at risk assessment) projecting a £12.9m overspend on the 2017/18 budget. Should you utilise the risk and other budget pressures reserve in full this will reduce your overspend to £11.6m. This anticipated overspend is larger than the prior year overspend of £7m. Should the position worsen then this will increase the pressure into 2018/19.</p> <p>In response to this risk we have:</p> <ul style="list-style-type: none"> • Updated our understanding of the pressures affecting the 2017/18 budget. • Considered whether you have adequate arrangements to manage those pressures and to secure a sustainable financial position. • Considered your approach towards the use of reserves. 	<p>Summary findings</p> <ul style="list-style-type: none"> • Your 2017/18 outturn position delivered a net £16.5m (7.1%) overspend. This resulted from a significant directorate overspend of £20.6m offset by directorate underspends of £2.8m and £1.3m contingency held corporately for risks and other budget pressures. • The Children and Young People directorate overspend of £15.6m (32%) is particularly significant. You need to gain a clear understanding of the circumstances that have driven the overspend and put in place robust measures to address these, as well as consider the sufficiency of the budgets in these areas. • There is no guarantee non-departmental underspends will continue, so vigilance over future positions is critical. Failure to deliver to budget could have a significant impact on your financial health. • You increased Lewisham’s share of council tax by 4.99% for 2017/18 but, as service pressures are expected to grow, substantial efficiency and transformation savings will continue to be required across the organisation. <p>2017/18 Financial Performance</p> <p>Like most local authorities across the country, the London Borough of Lewisham is facing a challenging financial position and uncertainty around future funding. You faced a reduction of £13.5m in the Revenue Support Grant in 2017/18 (£46.1m) compared to 2016/17 (£59.1m). You set a balanced budget for 2017/18 which relied on achieving an identified £22.2m of savings, increasing your share of council tax by 4.99% (1.99% increase plus 3.00% increase for the Social Care Precept), use of £5.0m of the New Homes Bonus for revenue purposes and release of £6.5m of corporate budget to offset risks and pressures.</p> <p>The 2017/18 £22.3m savings programme was agreed by you in the Lewisham Future Programme in September 2016. The savings which were identified as part of the budget process were deducted from the relevant service’s budget. The savings programmes were not directly monitored, as monitoring was undertaken on overall budgets. In our view, this results in a lack of transparency and clarity in identifying whether the overspends are the result of under-delivery of savings plans or genuine unavoidable pressures from demand increases. Without this clarity, you may not be able to properly assess the robustness of future plans and make an informed judgement as to the deliverability of the £13.0m of additional savings in the 2018/19 budget. This also risks hampering your ability to make informed decisions in response, and your ability to properly assess performance in delivering transformational savings. We would recommend strengthening governance in this area by specifically monitoring the delivery of savings programmes and the success of the schemes involved and, importantly, where savings are not delivered as planned, identifying the causal drivers behind this. This will also enable you to determine whether overspends are due to failed savings programmes or deficiencies in the budget setting and delivery processes. It is important to understand these distinctions as the responses needed in each case may differ. We will consider this further in our subsequent review of your transformation governance arrangements.</p> <p>Your financial outturn position shows a £16.5m overspend on the directorates’ net general fund revenue budget. However, this position was after applying £1.3m of a one-off corporate sum for risks and other budget pressures. The underlying service level overspend is therefore £17.8m, with the most significant overspends in Children and Young People (15.6m or 32%) and Customer Services (£5.0m or 11.7%). These were offset by underspends elsewhere, including £1.9m in the Resource and Regeneration directorate and 0.9m in the Community Services directorate. Despite the overspends, the General Fund balance at year end remained at £13.0m and Earmarked reserves increased by around £10.5m to £160.1m.</p> <p>The overspends have been regularly communicated to senior officers and members. The financial position is reported to members through the quarterly Public Accounts Select Committee meetings as at May, September, December and January, and monthly to the Executive Management Team. Until January 2018 the Council was reporting an overspend of approximately £13.0m. This was largely driven by demand led services within the Children and Young People directorate, mainly children’s social care, and the environment section of the Customer Services directorate.</p>

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Findings and conclusion

Budget Management

Continuation of risk noted on the previous page.

From May 2017, overspends in Children and Young People were forecast to be £7.0m and rose steadily to £8.6m in January 2018. That significant overspends were forecast from so early in the year indicates a weakness in the arrangements for identifying assumptions for the budget setting in this area. You should strengthen the budget setting arrangements and improve the robustness of the assumptions on which the budget is based. The overspend had increased significantly to £15.6m by the end of the year. The increase was not due to a dramatic surge in demand led services in February and March. Instead it was due to assumptions made in financial forecasting that included mitigations that had been expected to be made earlier in the year that had not come to fruition. This resulted in the additional overspend only being reported at the year end. This indicates a weakness in the arrangements around the reporting of financial information to management and members. The final overspend was due to demand throughout the year for residential care places (£3.2m), fostering (£2.0m), placements in semi-independent accommodation (£1.8m) and other placements. Furthermore, a £7.5m overspend on staffing, particularly due to agency spend to meet the increased demand, had a negative impact on the Children's Social Care budget. Also contributing to the overspend in the Children and Young People Directorate is an overspend of £1.0m on schools' transport due to the increased use of taxis for extra pupils being transported following a reduction in the number of buses in service. We recommend presenting more information around the mitigations included in the forecast outturn reports to enable closer scrutiny of these to prevent unexpected deterioration of the financial position at the end of the year.

The other significant area of overspend was £5.0m in the Customer Service directorate. The largest element of this was the £3.2m overspend in the Environment section. Most of this was attributable to the £2.1m overspend in the refuse service caused by the delay in implementing the move to fortnightly collections and introduction of the new food and garden waste service for which new vehicles were not procured in time to implement, leading to increased vehicle hire charges.

Authority	General fund reserves as at 31 March 2018	Gross service expenditure for 2017/18	Ratio of General Fund reserves to Gross service expenditure
	£000	£000	%
Lewisham	13,000	925,075	1.4%
Average (All London Boroughs)	19,672	879,996	2.7%
Neighbouring and comparable London Boroughs			
Greenwich	13,269	888,988	1.5%
Lambeth	22,851	1,301,324	1.8%
Newham	12,352	1,202,228	1.0%
Southwark	18,803	1,257,329	1.5%
Tower Hamlets	33,255	1,260,278	2.6%
Croydon	10,393	1,174,044	0.9%
Waltham Forest	14,572	863,711	1.7%

Your General Fund position has remained at £13.0m at 31 March 2018, which is the same as in 31 March 2017. This has been achieved through the use of one-off corporate resources, such as the £10.9m transfer of NHS long term creditors to Health Reserves and £6.5m surplus on Corporate Provisions.

This ratio of General Fund reserve to gross service expenditure is relatively low in comparison to other London Boroughs. It is around half that of the average of all London Boroughs, and when compared to your closest and most comparable size boroughs only Croydon and Lambeth have lower ratios. There is the risk that this level of General Fund Reserves is not sufficient to cope with the additional pressure of a significant unexpected incident.

Conclusion

There may be scope to strengthen governance and

monitoring arrangements by monitoring savings delivery, shortfalls and causal factors, in addition to the normal budgetary monitoring processes. There is also scope to strengthen budgetary monitoring processes and the assumptions used in respect of demand-led growth. This view is subject to our outstanding work on the Transformation risk which we will consider in a later report.

Key findings (Continued)

Significant risk

Findings and conclusion

Savings and medium term financial planning

You have set a balanced budget for 2018/19 which includes an overall increase in the total Council Tax of 4.20%, and savings of £4.9m. In addition, the budget proposals include a transfer of £5m from the New Homes Bonus reserve to the General Fund, the use of £3.6m reserves. You have also set aside £13.4m for identified and unidentified corporate risks and pressures. Going forward you will need to identify further savings of circa £35m for 2019/20 and 2020/21. Your Medium Term Financial Strategy anticipates that post 2020 approximately £10m per year of savings will be required.

In response to this risk we have:

- Considered your arrangements to identify and deliver savings and efficiencies towards achieving a sustainable medium term financial position.
- Updated our understanding of how you are working with partners in the local health economy to achieve savings.

Summary findings

- For 2018/19, you have set a balanced budget, with generally robust underlying assumptions.
- You have increased your share of council tax by 3.99% but, as service pressures are expected to grow, substantial efficiency and transformation savings will continue to be required.
- Your Medium term financial strategy shows the budget has been balanced for 3 years with the use of reserves.
- You will need to make savings of around £53.6m between 2019/20 and 2022/23 – a significant requirement which highlights further the point made in the previous section about the importance of specifically monitoring savings scheme delivery and understanding shortfalls, over and above the existing budgetary monitoring processes. Savings required in 2019/20 are higher than in previous years, when lower levels of savings were not delivered.
- There are longer term pressures from demand led services that could continue to manifest in 2018/19 and beyond.
- You have £13m of general fund reserves to cushion you against the on-going financial challenges that you face over the medium term. However, these represent only 1.4% of your annual spend, and should be used to invest in future transformation, rather than propping up budgetary overspends.
- The first financial forecast for 2018/19 presented to the Public Accounts Select Committee up to May 2018 is forecasting a deficit of £14.8m, with a majority (£13.5m) again due to the Children and Young People directorate. This indicates weaknesses in the budget setting arrangements as the assumptions around the provision of children’s social care appear not to have taken into account issues that led to similar overspends in 2017/18. This may indicate further improvements over the accuracy of activity assumptions are required.

2018/19 Budget Setting

You set a balanced budget for 2018/19 in February 2018. Reductions in Settlement Funding Assessment, inflation and service growth presented an overall budget gap of £8.6m to be funded from reserves. You have closed this through a £5.0m reserve transfer from the New Homes Bonus reserve to the General Fund for the third consecutive year and a further £3.6m one-off use of reserves. You have increased your share of council tax by 3.99% to provide an extra £10.2m, and identified planned savings of £4.86m.

The New Homes Bonus (NHB) paid by government is expected to decrease by between a third and a half from its 2018/19 level of £6.9m. Whilst your New Homes Bonus reserve has increased in value in recent years despite regular transfers to the General Fund, the NHB received may soon drop below the transfer levels, and in the long term the use of this sort of transfer will become unsustainable.

Schemes are reasonably well developed, and have been put in place for 2018/19. The structure enables you to focus on key streams and supports cross-cutting initiatives rather than top-slices to budgets. To maximise the impact of savings plans, project review should be incorporated more closely into the budget monitoring and outturn reports to ensure planned savings are delivering the desired effect. It is currently unclear from the budget report the extent to which overspends are being driven by purely demand led increases, against the success or failure of savings initiatives.

Medium Term Financial Strategy

Your latest Medium Term Financial Strategy (MTFS) is due to be published in July 2018. The financial outlook in the medium term remains very challenging for local government, with significant uncertainties over the economic and political environment. Beyond 2020 it is difficult to predict what the size of the challenge is as this will depend on the decisions of a future government. You have made prudent assumptions about your future funding, including the following:

- Government will phase out the Revenue Support Grant
- NNDR will be completely devolved to local government

Key findings (Continued)**Significant risk****Findings and conclusion****Savings and medium term financial planning**

Continuation of risk noted on page 16

- Council tax increases continue to be capped below 2 per cent, with a precept for social care
- The Collection fund will deliver a reducing surplus for the foreseeable future
- Pay and non-pay expenses will be subject to 2-3% inflationary pressures
- Pressures and risks growth of £6.5m - £7.5m for the three years of 2021/22 to cover additional expenditure associated with a growing, aging population, household growth, the impact of changes in legislation and regulations, and the impact of reducing preventative services in the early years of austerity

The July 2018 Medium Term Financial Strategy covers the four year period from 2019/20 to 2022/23. You have modelled best, worst and most likely case scenarios for this period. Comparing these saving scenarios to the ones in the July 2017 MTFS, you can see the impact the overspends in 2017/18 and the failure to meet savings targets has had in increasing the pressure over the next three year period. Under the above and other assumptions the range of estimates of future savings requirements (£m) is:

July 2017 MTFS	2018/19	2019/20	2020/21	2021/22	2022/23	Total	2019/20 to 2021/22		
Optimistic	20.77	10.31	6.99	8.73	-	46.80	26.03		
Main	21.28	10.85	10.04	9.41	-	51.58	30.3		
Pessimistic	24.85	14.63	17.19	12.74	-	69.41	44.56		
July 2018 MTFS		2019/20	2020/21	2021/22	2022/23	Total	2019/20 to 2021/22	Increase in savings required	
Optimistic	-	14.75	8.10	10.24	5.22	38.30	33.08	7.05	27%
Main	-	16.82	12.42	14.55	9.76	53.56	43.794	13.494	45%
Pessimistic	-	19.05	18.43	18.85	13.38	69.70	56.32	11.76	26%

In the July 2018 MTFS, between 2019/20 and 2021/22 the savings that are required to be found have increased by £13.5m, a 45% increase, compared to the July 2017 MTFS. This demonstrates the importance of having robust savings plans and delivering them in year rather than rolling them onto the next year when the ask may be more than can be managed.

Since 2015, your MTFS has made no allowance for inflation on non-pay expenses. This has meant that not only have you had to make savings year on year to offset losses in government funding, but that also cuts and service efficiencies have been required to absorb external inflationary cost pressures. This assumption has been removed from the July 2018 MTFS. A large element of your overspend pressures in recent years have related to 'needs led' statutory duties including supporting the most vulnerable, and sustained pressures arising from statutory duties relating to services such as waste and environmental health; the MTFS also assumes that these cost pressures will be met from your existing budgets. You have spent considerable effort seeking to mitigate these risks and it is important that you remain vigilant in how you monitor and manage these burdens.

The medium term financial plan is led by the Lewisham Futures Board, which develops savings options for the Mayor and cabinet to consider. Its focus has been on implementing the £21.3m savings for 2018/19. In a change from previous years, the current plan for 2019/20 and 2020/21 is not based around the 18 strategic work streams or themes that came from the Lewisham Future Board. The change of approach has been instigated by the new Chief Executive. It was felt the previous method had become overly complicated and lost some of the strategic value it was adding. The new method begins in July with Star Chambers overseen by the Executive Team challenging service leads on every aspect of their budgets. Detailed proposals for the cuts identified from these will be presented to members for scrutiny later in the year. Having made around £160m of reductions in expenditure in the eight years from 2010/11, the 'easy' savings and cuts have been made. Future savings will have to come from longer term projects, transforming how you provides services which requires up front investment to obtain future benefits. The effectiveness of your transformation governance is therefore essential to your future financial sustainability and achievement of challenging savings plans and budgets.

Key findings (Continued)**Significant risk****Savings and medium term financial planning**

Continuation of risk noted on page 16

Findings and conclusion

The first financial forecast for 2018/19 presented to the Public Accounts Select Committee up to May 2018 is forecasting a deficit of £14.8m, with a majority (£13.5m) again due to the Children and Young People directorate. This indicates weaknesses in the budget setting arrangements as the assumptions around the provision of children's social care appear not to have taken into account issues that led to similar overspends in 2017/18, given how soon the forecast overspends arise following the setting of the budget. This may indicate further improvements over the accuracy of activity assumptions are required. Containing these budget pressures will also depend on the effectiveness of your transformation governance, delivery of savings and demand management and outreach schemes, to ensure budgets can be delivered within the growth assumptions. The medium term planning shows an improving outlook which is broadly in line with your high level thinking over council tax and growth plans. However, more savings are proposed to 2019/20 than have been in place in previous years. This is a significant risk, as you have not managed to deliver the lower level of savings proposed in 2017/18. In addition, there are longer term pressures from demand led services that could continue to manifest in 2018/19 and beyond.

Reserves and financial position

Despite the financial pressures that you have faced and your investments in supporting the borough, once useable earmarked reserves are added to your £13m of general fund reserves, your overall reserves position is relatively healthy, compared to many London Boroughs. As at 31 March 2018, you had total general fund reserves and earmarked reserves excluding schools reserves of £149.9m, compared to £145.9 as at 31 March 2017 and £148.7m as at 31 March 2016.

The following table sets out a summary of your reserves position and key financial ratios as at 31 March 2018 relative to other London Boroughs as per their draft published financial statements for 2017/18:

London Borough of Lewisham - financial position: key performance measures			
Measure	London Borough of Lewisham	Average for London Boroughs	Ranking relative to other London Boroughs
Total general fund and non-schools earmarked general fund reserves as at 31 March 2018 (£m)	149,927	102,585	7 / 32
Total general fund and earmarked general fund reserves as at 31 March 2018 (£m)	173,123	112,862	7 / 32
Total usable revenue and capital reserves as at 31 March 2018 (£m)	347,452	253,530	7 / 32
Useable capital and revenue reserves as a percentage of gross service revenue expenditure	37.6%	28.9%	9 / 32
Current ratio (current assets / current liabilities)	2.00	1.50	5 / 32

This analysis highlights that as at 31 March 2018 your reserves level placed you in the top quartile of the 32 London Borough. Nevertheless, it is important that you take appropriate action to maintain your reserves position.

As it currently stands, your reserves level provides you with a measure of support in respect of the on-going financial challenges that you face over the medium term due to reductions in central government funding and forecast increases in demand for your core services. However, you only have finite reserves available and it is important that you continue to maintain appropriate budgetary control going forward. Your reserves strategy does not have an explicit minimum level of General Fund reserves that you are comfortable with.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings and conclusion
Savings and medium term financial planning Continuation of risk noted on page 16	Conclusion The early appearance of forecast significant overspend on the revenue budget in 2018/19 in similar areas to 2017/18 suggests weaknesses in the accuracy of the assumptions in this area. Development of a more detailed Reserves Strategy would ensure one-off monies are used effectively support the transformation needed to remain financially sustainable. Our final conclusion is subject to our outstanding work on the Transformation risk which we will consider in a later report.

Key findings (Continued)

Significant risk

Transformation

You are planning a significant transformation programme. This will be technology enabled and seek to drive the right cultural outcomes from, and for, people, facilitating innovation to drive transformational benefits – financial and non-financial – resulting in service improvements and better working with residents. Any transformation programme of this scale, complexity and ambition carries inherent risk.

In response to this risk we will:

- Update our understanding of overarching programme management arrangements.
- Consider whether you have adequate arrangements to manage the interdependencies, identify and realise planned benefits and ensure robust and effective programme governance.
- Assess the extent to which transformational plans and medium term financial planning is aligned, and whether assumptions in financial plans align with programme ambitions.

Findings and conclusion

Summary findings

- You have undertaken an internal review of your transformation processes. We are in the process of reviewing your work and interviewing officers and collating evidence in respect of this risk. .

Independence and ethics

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers). In this context, we disclose the following to you:

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,500 in comparison to the total fee for the audit of £193,233 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension return	6,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work £6,500 in comparison to the total fee for the audit of £193,233 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
Place Analytics subscription for 3 years from 2016/17	26,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this for 3 year period from 2016/17 was £26,000 in comparison to the total fee for the audit of £193,233 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Panel. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Action plan

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	●	Our testing of IT General Controls identified breaches of password policies, users with default responsibilities with excessive privileges and a lack of audit logging in Oracle EBC or the Database. There is the risk that passwords are not strong enough and unauthorised access may be gain to the Council's IT systems. The full details of the control findings have been shared with management.	The detailed recommendations have been shared with management. Management response
2	●	Our testing of creditors identified an old creditor account with no activity for more than 5 years. The creditor was investigated and found not to be valid. Whilst it was not indicative of a material error, there risk is that there are other invalid creditors on the creditors ledger.	We recommend you review all creditor accounts that have had no activity for more than 6 months and determine whether the creditor remains valid. Management response
3	●	The savings programmes were not directly monitored, as monitoring was undertaken only on overall budgets. In our view, this results in a lack of transparency and clarity in identifying whether the overspends are the result of under-delivery of savings plans or genuine unavoidable pressures from demand increases. Without this clarity, you may not be able to properly assess the robustness of future plans and make an informed judgement as to the deliverability of the £13.0m of additional savings in the 2018/19 budget. This also risks hampering your ability to make informed decisions in response, and your ability to properly assess performance in delivering transformational savings.	We would recommend strengthening governance in this area by specifically monitoring the delivery of savings programmes and the success of the schemes involved and, importantly, where savings are not delivered as planned, identifying and explaining the reasons behind this. This will also enable you to determine whether overspends are due to failed savings programmes or deficiencies in the budget setting and delivery processes. It is important to understand these distinctions as the responses needed in each case may differ. Management response
4	●	The financial forecast reports contained mitigations that were expected to be achieved in the first half of the year but were not, which reduced the forecast deficit position until the end of the year. This prevented management and members from gaining a full understanding of the levels of and reasons behind overspends.	We recommend presenting more information around the mitigations included in the forecast outturn reports to enable closer scrutiny of these, to enable greater monitoring in respect of unexpected deterioration of the financial position at the end of the year. Management response
5	●	Your Reserves Strategy does not have an explicit minimum level for your General Fund reserve.	You should consider adding a minimum level / range for your General Fund reserves at a level you are comfortable with to your Reserves Strategy. Management response

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Lewisham Council's 2016/17 financial statements, which resulted in recommendations being reported in our 2016/17 Audit Findings report. We have followed up on the implementation of our recommendations and note they are still to be completed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>1</p> <p>Page 47</p>	<p>X</p>	<p>We completed a high level review of your IT controls and at the shared service provider, focussing on the interface between the two. Consistent with previous years the review highlighted significant issues specifically around default passwords and accounts, audit logs, change management, separation of duties and access controls.</p> <p>We have reported these findings in detail to management in a separate paper and we have discussed these with the Head of Financial Services.</p> <p>We understand you are considering the future of your IT arrangements following the expiry of the current shared services contract.</p>	<ul style="list-style-type: none"> Work completed by our team of IT experts identified similar issues in work completed on the 2017/18 IT General Controls. Issues were in the areas of breaches of password policies, users with default responsibilities with excessive privileges and lack of audit logging in Oracle EBC or the Database.

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Audit Panel is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
1 LOBO calculation of the fair value of the loan on inception	Dr Finance Restructuring Costs 9,968	Cr borrowings 9,968	There is no impact on the Council's General Fund position as the impact is reversed out through the Movement In Reserves Statement. The amendment has nil impact on Council Tax payers.
Overall impact	£9,968	£9,968	£00

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Audit Panel is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 Sample testing of your calculation of depreciation across a range of assets identified an estimated extrapolated error of £1,202,000.	Dr Depreciation across Cost of Service 1,202	Cr Property Plant and Equipment 1,202	1,202	Misstatement is an estimated extrapolation and is well below materiality.
2 Sample testing of expenditure identified a reversal of an accrual whereby the accrual should not have been raised in the first instance as the invoice was paid before year-end. This error was extrapolated to £1,182,000	Cr Expenditure across Cost of Services 1,182	Dr Accruals 1,182	(1,182)	Misstatement is an estimated extrapolation and is well below materiality.
Overall impact	£20	£20	£20	

Impact of prior year unadjusted misstatements

We have not identified any unadjusted misstatements in relation to the 2016/17 Statement of Accounts as at the date of writing this report.

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have not identified any adjusting misstatements as part of our audit work to date.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which management has agreed to amend in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjustment agreed?
Housing Revenue Account Note 7	Figures in Note 7 of the HRA Statement haven't been updated for 2017/18.	The table should be updated to reflect the correct figures.	✓
Note 38 Contingent Liabilities	The final paragraph of note, 38 the disclosed figures require updating to report 'In addition, the NHS has a current application for charitable status. If accepted this would require a backdated payment of around £9m by the Council and an ongoing annual loss of business rates of £0.105m.'	The Note requires updating.	✓
Narrative Report	The Narrative Report discloses the Highways and Bridges project of £10m per Narrative Report, but the total per the Outturn Report is £8.9m.	The Narrative Report and outturn report should be consistent	✓
Narrative Report	Narrative Report - Revenue Budget Outlook – The Net Budget requirement for 2018/19 was disclosed as £242.3m in the Narrative Report, but was disclosed as £241.281m as per the Budget Report 2018/19 approved by council.	Amend the Narrative report	✓
Note 37 Defined Benefit Pension Schemes	The Employers' Contributions Payable to the Scheme of £32,708k was excluded from note 37c.	Amend note 37c to include Employers' Contributions payable to the Scheme	✓
Collection Fund Note 5	Disclosure of Rateable Value in Collection Fund Note 5 is based on National non Domestic Rates 1 return rather than Valuation Office Agency at year end as per the Code of Practice on Local Authority Accounting . The 2017/18 balance should be updated to £181.4m and 2016/17 should be updated £140.2m from £190.2 and £139.2 respectively.	Amend Collection Fund Note 5	✓
Housing Revenue Account Note 3	Note 3 to the HRA Accounts details rent rebates of £42,774k was the 2016/17 balance. The correct figure per the Housing subsidy claim form is £39,840k	Amend Housing Revenue Account Note 3	✓

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

	Proposed fee	Final fee
Council Audit	£193,233	£TBC
Grant Certification	£30,370	£30,370
Total audit fees (excluding VAT)	£223,603	£223,603

We will report the final proposed fees for the year following the conclusion of our work in respect of your vfm arrangements. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Non Audit Fees

Fees for other services	Fees
Audit related services:	
• Certification of Teachers' Pension return	£6,500
• Certification of Housing capital receipts grant	£3,500
Non-audit services	
• Place Analytics subscription	£26,000
Total (excluding VAT)	£36,000

Draft Audit opinion

We anticipate we will provide the Group with an unmodified audit report

Independent auditor's report to the members of London Borough of Lewisham

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of London Borough of Lewisham (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Comprehensive Income and Expenditure Statement, the Housing Revenue Account – Movement in Reserves Statement, the Collection Fund Revenue Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

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Our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director for Resources and Regeneration's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director for Resources and Regeneration has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Executive Director of Resource and Regeneration is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Statement and the Annual Governance Statement, other than the group accounts and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Statement by the Executive Director for Resource and Regeneration and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director of Resource and Regeneration and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director for Resource and Regeneration. The Executive Director for Resource and Regeneration is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director for Resource and Regeneration is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit Panel is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2018. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2018.

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2018 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of objections related to the year ended 31 March 2017 brought to our attention by local authority electors under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that these matters do not have a material effect on the financial statements for the year ended 31 March 2018.

SIGNED

Paul Grady

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square

London

EC2A 1AG

DATE



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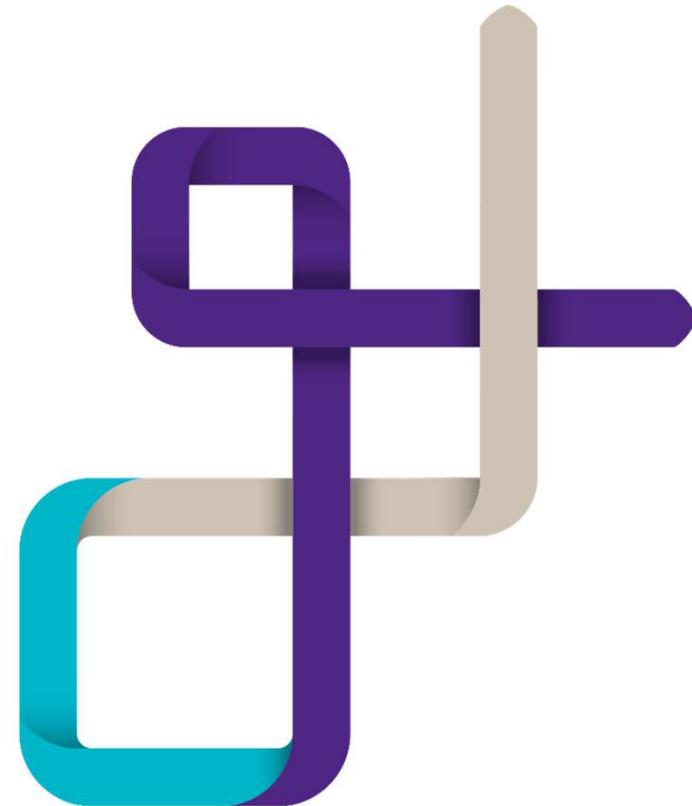
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Audit Findings

Year ending 31 March 2018

London Borough of Lewisham Pension Fund

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Contents



Your key Grant Thornton team members are:

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Section

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2. Financial statements
3. Independence and ethics

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Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

Introduction

This table summarises the key issues arising from the statutory audit of London Borough of Lewisham Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements

Page 56

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Our audit work was undertaken on site during June and July and concluded in early August. Our findings are summarised on pages 4 to 12. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Fund's reported financial position. Any audit adjustments will be detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion in mid August, as detailed in Appendix E.

We are still to complete the following closing procedures, which are concluded at the end of the audit:

- receipt of your management representation letter;
 - consideration of subsequent events; and
 - review of the final set of financial statements;
-

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit Panel.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for London Borough of Lewisham Pension Fund.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Controls testing of the benefits payable system; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We are anticipating giving you an unqualified audit opinion, subject to the completion of outstanding work set out on page 3.

	Amount (£)
Materiality for the financial statements	12,746,000
Performance materiality	9,559,000
Trivial matters	637,000

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management have reviewed the Fund's funding position and cash flows.

Auditor commentary

- The Pension Fund has sufficient assets to meet its liabilities as they fall due over the next 12 months. Local Government Pension schemes are effectively underwritten by the tax payer with deficits financed by increased contributions agreed with the actuary that are financed through Council and Admitted and Scheduled bodies contributions.
- There is no plan by the Ministry of Housing, Communities and Local Government to wind up the London Borough of Lewisham Pension Scheme.
- The Pension Fund continues to operate as usual in 2018/19. Contributions and investment income continue to be received as expected.

Work performed

Detail audit work performed on management's assessment

Auditor commentary

- We have reviewed management's assessment that the financial statements are prepared on a going concern basis.
- We are satisfied that there are sufficient assets to meet liabilities as they fall due. The last triennial actuarial valuation as at 31 March 2016 also demonstrated an improvement in the funding level to 78%.
- The fund continues to operate as usual.

Concluding comments

Auditor commentary

- We are satisfied that the Pension Fund Financial Statements are prepared on a Going Concern basis.

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities, including the London Borough of Lewisham Pension Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the London Borough of Lewisham Pension Fund.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We completed the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management. • Testing of journal entries. • Review of unusual significant transactions. • Review of significant related party transactions outside the normal course of business. <p>Our audit work has not identified any significant issues in respect of management override of controls.</p>

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>The valuation of Level 3 investments is incorrect Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>We identified the valuation of level 3 investments as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We are completed the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Gained an understanding of the Fund’s process for valuing level 3 investments and evaluate the design of the associated controls. • Reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments. • Considered the competence, expertise and objectivity of any management experts used. • Reviewed the qualifications of the expert, Northern Trust, to value Level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. • For a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2018 with reference to known movements in the intervening period. <p>We have not identified any material issues that require reporting as a result of our work.</p>

Reasonably possible audit risks

Risks identified in our Audit Plan

Contributions

Contributions from employers and employees' represents a significant percentage (83%) of the Fund's revenue. We therefore identified occurrence and accuracy of contributions as a risk requiring particular audit attention

Commentary

Auditor commentary

We have completed the following work in relation to this risk:

- Evaluated the Fund's accounting policy for recognition of contributions for appropriateness.
- Gained an understanding of the Fund's system for accounting for contribution income and evaluate the design of the associated controls.
- Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.
- Rationalised contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.

We have not identified any material issues that require reporting as a result of our work.

Pension Benefits Payable

Pension benefits payable represents a significant percentage (88%) of the Fund's expenditure.

We identified completeness of pension benefits payable as a risk requiring particular audit attention:

Auditor commentary

We have completed the following work in relation to this risk:

- Evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness.
- Gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls.
- Tested the controls around the completeness, accuracy and occurrence of benefit payments.
- Tested a sample of individual pensions in payment by reference to member files.
- Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

We have not identified any material issues that require reporting as a result of our work.

Reasonably possible audit risks

Risks identified in our Audit Plan

The valuation of Level 2 investments is incorrect

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We identified valuation of level 2 investments as a risk requiring particular audit attention.

Commentary

Auditor commentary

We have completed the following work in relation to this risk:

- Gained an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls.
- Evaluated the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.
- Reviewed the reconciliation of information provided by the pension fund's individual fund manager's, custodian and the Pension Scheme's own records and sought explanations for variances.
- Considered the competence, expertise and objectivity of any management experts used.
- Evaluated the qualifications of the expert, Northern Trust, to value the level 2 investments at year end and gained an understanding of how the valuation of these investment has been reached.
- For a sample of investments, tested the valuation by obtaining independent information from custodian/manager on units and unit prices.

We have not identified any material issues that require reporting as a result of our work.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Income - Dividend income earned from equity and bonds with BlackRock is reinvested and not repaid directly to the fund as cash, but from UBS is repaid to the Fund. Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the accounting period will be disclosed in the note on Debtors and Creditors. 	The revenue recognition policy is consistent with the Code of Practice of Local Authority Accounting. Management have followed the policy in accounting for the funds revenue streams.	 (Green)
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include; <ul style="list-style-type: none"> Valuation of level 3 investments The assumptions within the IAS26 calculation of the present value of future retirement benefits The assumptions within the triennial valuation 	<p>The policies adopted for material accounting estimates appear to be appropriate under the Code of Practice of Local Authority Accounting.</p> <p>Our testing to date indicates that the material estimates included in the financial statements have been calculated based on reasonable judgements and assumptions from experts.</p>	 (Green)
Other critical policies		We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice. The Pension Fund's accounting policies are appropriate and consistent with previous years.	 (Green)

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Panel. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none"> Based on work completed, we are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> Based on work completed, a standard letter of representation has been requested from the management of the Pension Fund.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to investment and bank institutions. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6	Disclosures	<ul style="list-style-type: none"> Based on work completed, our review found no material omissions in the financial statements.
7	Significant difficulties	<ul style="list-style-type: none"> We have not had any issues with accounts closedown, production of draft accounts or working papers.
8	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Under the statutory deadlines, the Pension Fund Annual Report is not required to be published until the 1st December 2018. Management has therefore not yet produced this report. We have accordingly not been able to give this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

Action plan

We have not identified any recommendations for the Pension Fund as a result of issues identified during the course of our 2017/18 audit. The recommendation below relates to the previous year. This is yet to be implemented and so we have re-raised it in 2017-18.

The matter reported here is limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

1	Assessment	Issue and risk	Recommendations
Page 66	●	<ul style="list-style-type: none"> In 2016/17 we identified instances where new joiners paid 2 months worth of contributions in their second month and this date was set as their start date for pensions purposes, rather than the date they started working for London Borough of Lewisham. 	<ul style="list-style-type: none"> As part of the contribution reconciliation, follow up cases where a new joiner has not contributed so that the correct start-date can then be followed through and updated accordingly in the pensions system Altair. <p>Management response</p>

Controls
 ● High – Significant effect on control system
 ● Medium – Effect on control system
 ● Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Lewisham Pension Fund's 2016/17 financial statements, which resulted in 4 recommendations being reported in our 2016/17 Audit Findings report. We have followed up on the implementation of our recommendations and note 2 are still to be completed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<ul style="list-style-type: none"> Review the format of disclosures in the accounts for consistency with the Code and model accounts, particularly with respect to benefit payments. 	<ul style="list-style-type: none"> The disclosure note for benefits payable was changed last year to reflect the model accounts and remains so this year. All other disclosures are consistent with the Code and model accounts where applicable.
2	✓	<ul style="list-style-type: none"> Review working papers and ensure they can be clearly reconciled to the pension fund accounts. 	<ul style="list-style-type: none"> Working papers have been updated this year to ensure a clear and thorough link to the accounts
3	X	<ul style="list-style-type: none"> As part of the contribution reconciliation, follow up cases where a new joiner has not contributed so that the correct start-date can then be followed through and updated accordingly in the pensions system Altair. 	<ul style="list-style-type: none"> This is not currently part of the contribution reconciliation. It has been re-raised as a recommendation for 2017/18.
4	X	<ul style="list-style-type: none"> Review the ledger coding structure for pensions benefit payments so that the Council is able to extract the information required for benefits disclosures. 	<ul style="list-style-type: none"> This has not been implemented. The current manual process of running ResourceLink reports for each type of body and matching back to coded payments continues to be used which is sufficient. We are satisfied with the response so we have not re-raised the recommendation.

Assessment

- ✓ Action completed
- X Not yet addressed

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Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have not identified any adjusting misstatements as part of our audit work.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit to date which management has agreed to make in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjustment agreed?
Actuarial present value	<ul style="list-style-type: none"> In accounting policy (q), the actuarial present value of future retirement benefits to be (on IAS 19 basis) was disclosed as £1,934m. This should have been £1,871m. 	<ul style="list-style-type: none"> Update the disclosure to agree with the actuary's report. 	✓
Member data	<ul style="list-style-type: none"> The disclosure of member data in Note 17 did not include movements from March 2018. 	<ul style="list-style-type: none"> Provide a revised note of member data. 	✓
Related Party Transactions	<ul style="list-style-type: none"> The Chair of the Pensions Investment Committee is a Director of Lewisham Homes (one of the Scheduled bodies that contribute to the fund). This should be disclosed within the related party transactions note. 	<ul style="list-style-type: none"> Update the related party transaction note. 	✓

Impact of unadjusted misstatements

We have not identified any unadjusted misstatements in relation to the 2017/18 Statement of Accounts.

Impact of prior year unadjusted misstatements

We have not identified any unadjusted misstatements in relation to the 2016/17 Statement of Accounts.

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit or audit related services

Audit Fees

	Proposed fee (£)	Final fee (£)
Pension Fund Audit	21,000	21,000
Total audit fees (excluding VAT)	21,000	21,000

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Draft audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of London Borough of Lewisham on the pension fund financial statements

Opinion

We have audited the pension fund financial statements of London Borough of Lewisham (the 'Authority') for the year ended 31 March 2018 set out on pages *** to ** which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

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 give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities; have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director for Resource and Regeneration's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Executive Director for Resource and Regeneration has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Executive Director for Resource and Regeneration is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages [**xx to xx**], the Narrative Report and the Annual Governance Statement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director for Resource and Regeneration and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director for Resource and Regeneration. The Executive Director for Resource and Regeneration is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Executive Director for Resource and Regeneration determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Executive Director for Resource and Regeneration is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit Panel is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

[Signature]

Paul Grady
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
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[Date]



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AUDIT PANEL			
Report Title	Final Accounts 2017/18 – London Borough of Lewisham’s response to Grant Thornton’s external audit reports		
Key Decision	No	Item No.	5
Ward	ALL		
Contributors	Executive Director for Resources and Regeneration		
Class		Date:	20th September 2018

1 PURPOSE

- 1.1 The purpose of this report is to respond to the external auditor’s Audit Findings Reports on the 2017/18 audit of the Council’s Main Accounts and Value for Money conclusion, and the 2017/18 Pension Fund Accounts. These audit findings are attached to the previous item on this agenda, and contain:

“... the key issues arising from the statutory audit of London Borough of Lewisham Council (“you”) and the preparation of the group and your financial statements for the year ended 31 March 2018 ... (and) whether, in our opinion, the group and your financial statements give a true and fair view of the group and your financial position and of the group and your expenditure and income for the year, and have been properly prepared ... in accordance with the Local Audit and Accountability Act 2014 ... (and) whether, in our opinion, you have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ...”

- 1.2 The reports set out any issues arising from the audits that, in the opinion of the external auditor, are of sufficient significance to warrant informing and discussing with Members.

2 EXECUTIVE SUMMARY

- 2.1 The Council has a statutory requirement to approve and publish its audited Statement of Accounts by 31 July each year. The draft audited 2017/18 Accounts were considered and noted by the Audit Panel on 12 July 2018. Since then, Grant Thornton have continued to finalise their external audit. The draft audited 2017/18 Accounts were approved by Council on 18 July 2018. Grant Thornton report that subject to the satisfactory completion of their outstanding work they anticipate providing unqualified opinions on the financial statements.

3 RECOMMENDATION

- 3.1 The Members of the Audit Panel are recommended to note the reports from Grant Thornton and this covering officer report, to ask questions as appropriate and to agree the comments.

4 POLICY CONTEXT

4.1 Completing the external audit of the council's accounts and receiving the external auditor's report thereon contributes directly to the council's tenth corporate priority:-

- **Inspiring efficiency, effectiveness and equity:** ensuring efficiency and equity in the delivery of excellent services to meet the needs of the community.

5 AUDIT OF ACCOUNTS

5.1 Since the pre-audit accounts were completed at the end of May 2018, they have been subject to extensive external audit by Grant Thornton and only a limited number of mainly minor changes have been agreed as necessary. At the time this report was despatched, the audits were substantially complete and Grant Thornton report that subject to the satisfactory completion of their outstanding work they anticipate providing unqualified opinions on the financial statements. Grant Thornton are, however, unable to issue a Value for Money conclusion at this time pending the outcome of their review of significant risks identified in their audit plan. These risks relate to governance arrangements over the Council's transformation programmes. Grant Thornton will give a verbal update on progress at the meeting and, along with senior council officers, will answer any questions as required.

5.2 The external auditor requests that Members note the adjustments to the financial statements in the reports.

5.3 Under the Council's constitution these matters are for the Council to determine. At full Council on 18 July 2018, Members noted the draft Audit Findings reports and approved the draft audited Statement of Accounts.

6 AUDIT FINDINGS

6.1 The headlines are shown on pages 3 & 4 of the Audit Findings Report. Regarding the financial statements for 2017/18 there are no significant errors to be brought to the attention of Members. The main adjustment of £9.968m relates to the technical treatment of a LOBO loan restructuring, and does not have any impact on the Council's General Fund position or Council Tax or Housing Rents (see Appendix C on page 24).

6.2 In addition, a limited number of classification and disclosure changes to the accounts have been agreed with the auditors. None of these affect Council's General Fund position or Council Tax or Housing Rents for the year (see Appendix C on pages 24 to 25).

6.3 The main issues to note from the Council's main accounts audit report are as follows:-

- The new statutory deadline of completing the 2017/18 audit by 31 July was not achieved. Some of the reasons stated in the report are subject to further

discussion/agreement between Council managers and Grant Thornton, particularly around delays in obtaining/supplying information, since the responsibility for these is yet to be determined. For example, the technical accounting treatment of the LOBO loan that was challenged by Grant Thornton had been previously agreed by them in principle many months ago when the arrangement had been entered into.

- A review of the Council's IT controls is outlined in Appendix B on page 23, and these ongoing concerns have been discussed with senior management. These issues remain outstanding from 2016/17.
- The Value for Money findings are summarised on page 13, with the detail being set out on pages 14 to 20. Grant Thornton are, however, unable to issue a Value for Money conclusion at this time pending the outcome of their review of significant risks identified in their audit plan.
- The Action Plan (Appendix A on page 22) contains a small number of recommendations which will be discussed further with Grant Thornton and agreed as appropriate.

6.4 The areas to note from the Pension Fund accounts audit report are as follows:-

- There were no material adjustments required to the final accounts; therefore the Fund's reported financial position is unchanged.
- There were three misclassification and disclosure changes required (see Appendix C on page 15). These have been agreed and the final accounts amended. The action plan (Appendix A on page 13) shows just one item, which will be agreed as appropriate with Grant Thornton.
- All the accounting policies, estimates and judgements were judged as reasonable and no recommendations have been made for these in respect of the audit of the Pension Fund accounts.

7 ANNUAL GOVERNANCE STATEMENT

7.1 This document has been updated from the draft considered at the Audit Panel on 12 July 2018. The draft Annual Governance Statement was approved by Council on 18 July 2018.

8 FINANCIAL IMPLICATIONS

8.1 There are no direct financial implications resulting from this report.

8.2 The cost of the external audit of the main accounts for 2017/18 was £193,000, plus £41,000 for the certification of grant claims. The Pension Fund external audit cost was £21,000.

9 LEGAL IMPLICATIONS

9.1 The Accounts and Audit (England) Regulations 2015 require authorities to publish their Statement of Accounts after the external audit is completed no

later than 31 July. The approval of the draft audited Statement of Accounts by Council on 18 July 2018 will satisfy this statutory requirement on the Council's part, but as already indicated, the full statutory requirement of sign-off by Grant Thornton by 31 July has not been met.

- 9.2 It is the role of the Audit Panel to receive, review and where appropriate, advise and make recommendations to the Council in relation to the external auditor's opinion and report to Members, and to monitor management action in response to issues raised by external audit.

10 EQUALITIES IMPLICATIONS

- 10.1 There are no equalities implications in this report.

11 CONSULTATION

- 11.1 Sections 25 to 27 of the Local Audit and Accountability Act 2014 give electors the right to inspect and make copies of the Accounts; also to question the auditor and make an objection. The Accounts are required to be available for public inspection for 30 working days prior to the planned conclusion of the audit and an advertisement is placed on the Council's website to publicise this fact. This public inspection period ended on 12 July 2018. It is also a requirement that notice of the conclusion of the audit is advertised on the Council's website.

- 11.2 No new objections to the Accounts were received in 2017/18, but there are still two objections outstanding in connection with LOBO loans from the previous year 2016/17. Grant Thornton are still liaising with the Council before responding to these objections.

12 ENVIRONMENTAL IMPLICATIONS

- 12.1 There are no environmental implications in this report.

13 CRIME AND DISORDER IMPLICATIONS

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

14 BACKGROUND PAPERS

None

For further information on this report please contact:

Selwyn Thompson, Head of Financial Services – 020 8314 6932

David Austin, Head of Resources – 020 8314 9114

Paul Calnan, Acting Group Finance Manager, Core Accounting – 020 8314 6167

{**Prepare on client letterhead**}

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

XX September 2018

Dear Sirs

London Borough of Lewisham Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of London Borough of Lewisham and its subsidiary undertakings, Lewisham Homes Ltd and Catford Regeneration Partnership Limited for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the group and parent Council financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the group and parent Council has been assigned, pledged or mortgaged

- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the group and parent Council financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and parent Council and its financial position at the year-end

The group and parent Council financial statements are free of material misstatements, including omissions.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xiv We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and

- c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the group and parent Council financial statements.
- xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

Annual Governance Statement

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- i The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Panel at its meeting on 20 September 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

{**Prepare on client letterhead**}

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

XX September 2018

Dear Sirs

**London Borough of Lewisham Pension Fund
Financial Statements for the year ended 31 March 2018**

This representation letter is provided in connection with the audit of the financial statements of London Borough of Lewisham Pension Fund (‘the Fund’) for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Fund financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Fund’s financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (“the Code”); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund’s particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x The financial statements are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Fund financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxii We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxiii We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Panel at its meeting on 20 September 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of Council as administering body of the Pension Fund



Report No. RRE/1718/MZR20

Catford Regeneration Partnership Ltd (CRPL) – 2017/18

Final Internal Audit Report

Resources and Regeneration

Limited Assurance

May 2018

Contents	Pg	Timeline	
1. Executive Summary	3	ToR Issued	17/01/2018
2. Findings and Management Action Plan	4	Start of Fieldwork	22/01/2018
3. Glossary and Contact Details	8	End of Fieldwork	07/02/2018
4. Terms of Reference	9	Exit Meeting	07/02/2018
5. Mazars' Statement of Responsibility	11	Draft Report Issued	16/03/2018
Auditor: Tuoyo Dada – Assistant Audit Manager – Mazars		Management Responses Received	27/04/2018
Reviewed by: Dave Phillips – Senior Audit Manager - Mazars		Final Report Issued	17/05/2018

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

Status of our reports

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

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



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

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

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

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



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

Explanations for Assurance Opinion

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

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

Limitations to the scope of the audit:

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

Update your recommendations - link to site

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

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

Definition of Category of Recommendation

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

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

Contact Details

David Austin – Head of Corporate Resources

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Tuoyo Dada – Assistant Audit Manager

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Dave Phillips – Senior Internal Audit Manager

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✉: Dave.Phillips@mazars.co.uk

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

Background and Objective of the Service

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

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

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

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

Purpose of the Review

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

Limitations to the Audit

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

Main Risks Identified

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

Inadequate arrangements for accountability could give rise to:

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

Areas to be Reviewed

The areas that will be assessed in this audit are:

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

List of Requirements

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

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

Distribution list

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

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

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

Auditor Statement

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

Statement of Reference

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

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

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

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

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Agenda Item 8

AUDIT PANEL		
Report Title	Internal Audit Update Report	
Key Decision	No	Item No. 8
Ward	ALL	
Contributors	Head of Corporate Resources	
Class	Part 1	Date: 20 September 2018

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.

2. Recommendations

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

3. Executive Summary

Progress against the corporate audit plan

- 3.1. With the exception of the VAT audit, the 17/18 audit plan is now all finalised. The 18/19 plan is underway, with 10 out of the 50 corporate audits at least to the issue of Terms of Reference (ToR) stage. The one grant verification is also on going.

Limited, No Assurance, and Consultancy reports.

- 3.2. There were no Limited, No Assurance or Consultancy reports issued since the last meeting.

High or Medium recommendations not agreed by management

- 3.3. The management view for the one partially agreed recommendation will continue and the other recommendation is to be considered as part of the wider social care process and systems transformation plans and reported back.

Follow up reviews

- 3.4. There were three follow up reviews completed since the last meeting with 85% of recommendations either 'implemented in full' or 'in progress'. While an improvement overall the balance of 'implemented' and 'in progress' is the inverse of that expected. The business risks from partial or delayed implementation of recommendations therefore remains.

Management progress against recommendations made

- 3.5. The percent of overdue recommendations to open ones is 30%. This is an improvement on recent performance. However, the percentage of recommendations that are taking over 12 months to implement has increased to 35%, up from 30%.

Types of controls for corporate audit recommendations made

- 3.6. Nothing to report as no corporate audits were finalised from the 2018/19 audit.

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

- 3.7. Of the 27 audits in the school plan, 12 are underway, with two of the audits finalised. The percentage of overdue recommendation that are overdue, has increased to 66%. However, it should be noted that covers the summer holidays with limited access to schools.

Any other business

- 3.8. The recruitment exercise that took place over the summer for an additional Principal Auditor, did not produce the quality of candidates expected. As such, a further recruitment drive will take place in September / October.

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 external service providers.
- 4.3. This report details work as at the 31 August 2018, unless otherwise stated.

5. Progress against the corporate internal audit plan

- 5.1. With the exception of the VAT audit, all audits are now finalised for 17/18. Due to annual leave of both the contractor and LBL management there has been a delay in issuing the VAT report.
- 5.2. The 18/19 audit plan is now underway, with 10 out of the 50 audits in the corporate plan to at least to the issue of the Terms of reference stage. See appendix 1 for further details.
- 5.3. Since the last meeting, one audit was finalised (17/18 audit plan).

Audit (Corporate)	Date of Final	Audit Opinion	Follow up due	Recs Made		
				H	M	L
Adoption Framework (17-18)	19/07/18	Satisfactory	n/a	-	8	-

Cancelled / Deferred

5.4. There have been no cancelled or deferred audits since the last meeting.

Additional

5.5. There was no additional assurance or consultancy work required.

6. Limited, No Assurance, and Consultancy Corporate reports

6.1. There were, no Limited, No Assurance or Consultancy reviews issued since the last report.

7. High or Medium recommendations not agreed by management

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

7.2. ICB decide if they accept the risk of not implementing or agree that it should be implemented. Where they agree it should be implemented, the recommendations are monitored in the normal way. Where ICB do not agree to implement the recommendation, they are then reported at the next Audit Panel meeting.

7.3. One recommendation from the Risk Framework review was only partially agreed.

Risk Framework - Consultancy		
Recommendation	Management Comment	Audit Comment
<p>It is recommended that the ICB reconsider if a record of what actions have already been done should be documented on the corporate and directorate registers.</p> <p>This would help to support the assessment of the current status of each risk.</p> <p>In addition, prior to the review of the Corporate Risk Register at the Internal Control Board (ICB), a check should be done to ensure that all actions and specific due dates have been identified on the register.</p> <p>When a due date is revised, it should be recorded as a change on the summary sheet which is presented at the ICB.</p>	<p>Partially agreed. The Strategy and revised registers were debated and agreed at both EMT and ICB and the removal of columns recording what had already been done was agreed. This part of the recommendation is not agreed as EMT & ICB have already considered it and reached a decision. However this will be presented again.</p>	<p>Internal Audit would still recommend that a column should detail what has been done to get to the current risk rating. This will ensure that management are clear on how they have managed their risks, especially in light of current changes to senior management.</p> <p>This will also aid internal audit with the audit planning process to ensure the right focus of the audit is clear from the start.</p>

- 7.4. In respect of this recommendation and the previous ICB consideration of the risk register, it is recognised that the slimmed down version of the risk register template is a compromise but, given the Council’s resource pressures, it essentially captures what is needed, presents a sufficient audit trail, and provides an easy way to share information at corporate, directorate and service level. For this reason, no change required unless or until the risk reports can be more automated in the performance management framework.
- 7.5. One other recommendation was not agreed.

Client Contributions Audit 17-18		
Recommendation	Management Comment	Audit Comment
Management should liaise with the Social Care Team to ensure that eligibility checks are performed prior to financial assessments being performed	Disagree The responsibility of making sure the eligibility checks are in place are with adult social care and not with the Financial Assessment Team. Confirming the eligibility with the Adult Social Care Team only adds strain on the Financial Assessment Team, which is already under-resourced. Monitoring this will delay the financial assessment causing potential financial loss to the council.	Whilst it is not the responsibility for the Financial Assessment Team to undertake the eligibility check, the financial assessment should not be performed unless the relevant eligibility check has been confirmed.

- 7.6. ICB did not resolve an action for this recommendation as these business areas are part of an ongoing and wider review of the adult social care operating model and business processes, including the use of the liquid logic and oracle systems to support their practice. This recommendation will be assessed as part of this transformation work and reported back on to EMT.

8. Follow-up reviews

- 8.1. Internal audit follow-up only those reports with a Limited or No Assurance opinion, or Consultancy review. This is normally done six months after the final report. However, internal audit reserve the right to follow-up on any audit or any individual recommendation if required.
- 8.2. The table below lists the follow-ups conducted since the last meeting, showing the number of implemented, in progress and not implemented. It should be noted that some of these follow-ups were overdue as work concentrated on concluding the 17/18 audit plan.
- 8.3. The table shows that 85% of recommendation were either implemented or in progress. While an improvement and 85% being a good score overall the

balance of 'implemented' and 'in progress' is the inverse of that expected. The business risks from partial or delayed implementation of recommendations therefore remains.

Audit	Date of follow up	Implemented	In Progress	Not Implemented
BCP for Adult Care Providers	20/06/18	-	3	-
Data Breach Management	23/07/18	-	3	2
Project Management Framework	24/07/18	4	2	-
Total		4 28%	8 57%	2 14%

9. Management progress against recommendations made

Overdue, Re-occurring and reopened recommendations

- 9.1. The table below shows the last rolling year results for overdue, reopened, and reoccurring recommendations. It also shows the percentage of overdue recommendations to open ones as at the 31/08/18.
- 9.2. To accompany the table, appendix 3 lists the individual audits with recommendations that are either:
- Overdue (due date has passed)
 - Re-occurring core financial recommendations, or
 - Recommendations were re-opened at the time of the follow-up.

Month of meeting	Current no. of open recs	No. of overdue recs	No. of recs that have been re-opened	No of re-occurring core financial rec	Percentage of overdue recs to open
Sep 18	164	50	11	17	30%
Jul 18	167	68	15	26	41%
Mar 18	159	54	23	15	34%
Dec 17	108	25	12	12	23%
Sep 17	162	54	18	22	33%

- 9.3. Compared to the last period, this shows a decrease on the number and proportion of overdue recommendations. A significant push by CYP to reduce their overdue recommendations down to only two should be noted.

Aged analysis report

- 9.4. This age analysis for recommendations is worked out by using the current due date for each open recommendation 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	% of recs over 12 m
Sep 18	31	29	28	19	25	32	35%
Jul 18	44	35	24	13	37	14	30%
Mar 18	59	26	11	16	30	17	30%
Dec 17	14	29	25	15	8	17	23%
Sep 17	48	32	41	10	24	7	19%

- 9.5. The table above shows that the percentage of open recommendations that are taking over one year to be completed, continues to increase to 35%.
- 9.6. There are six High recommendations that have taken over a year to implement (2 over 12 months, and 4 over 18 months). Please note, one of these is from a not agreed recommendation (Vehicle Fleet) that took time to agree that it should be implemented.

10. Types of controls for corporate recommendations made

- 10.1. The section normally records the types of controls as they relate to High or Medium recommendations made in the reports issued since the last meeting. However, as no corporate 18/19 reports were finalised, there is nothing to report.

11. Progress against schools' internal audit plan

- 11.1. Of the 27 schools in the plan, 12 are at least to the fieldwork start stage. See appendix 3. There were two school audits finalised since the last meeting.

Audits (Schools)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
St Michael's CE Primary	12/07/18	Substantial	1	4	7
Adamsrill Primary	06/08/18	Substantial	-	3	5

School Recommendations

- 11.2. The table below shows the status of open High and Medium school recommendations as at the 31/08/18. The percentage of overdue recommendation that are overdue, has increased to 66%. However, it should be noted that is the summer holidays and communications with schools is limited.
- 11.3. The status of the individual schools were they are overdue can be found in appendix 4.

Month of meeting	Current no. of open recs	No. of overdue recs	Percentage of overdue recs to open
Sep 18	148	99	66%
Jul 18	142	65	46%
Mar 18	99	60	61%
Dec 17	143	87	61%
Sep 17	153	70	46%

School follow up reviews

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

12. Any other business

- 12.1. The action tracking software is still being tested. Part of the delay was due to some IT security issues which are now resolved. Now the summer period is now over, any further issues will hopefully be resolved quickly in final testing.
- 12.2. A recruitment exercise over the summer did not produce the number or quality of applications expected. As such, another advert will be placed in September. This resourcing delay impacts the delivery of the plan, potentially requiring more to be contracted at a higher rate. The Panel will be updated at the next report and any contingency actions taken to ensure the work is done.

13. Legal implications

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

14. Financial implications

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

15. Equalities implications

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

16. Crime and disorder implications

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

17. Environmental implications

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

18. Background papers.

18.1. There are no background papers.

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

David Austin, Head of Corporate Resources, on 020 8314 9114, or email him 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
2018/19-80 - Supporting Families Programme Grant Certification 18-19	Grants	On going	n/a	n/a	-	-	-
2018/19-04 - Apprenticeship Levy	Corporate	Draft issued					
2018/19-43 - Adherence to the Local Government Transparency Code	Corporate	File for review					
2018/19-03 - Deprivation of Liberties (DoLs)	Corporate	File for review					
2018/19-35 - Disability Facilities Grant (DFG)	Corporate	Fieldwork Start					
2018/19-18 - Business Continuity Plans (BCP) - Core Processes	Corporate	Fieldwork Start					
2018/19-65 - Pooled Budgets and Section 75 Payments	Corporate	Fieldwork Start					
2018/19-74 - Complaints (Corporate)	Corporate	Fieldwork Start					
2018/19-05 - Bereavement Services	Corporate	ToR issued					
2018/19-36 - Early Help Service	Corporate	ToR issued					
2018/19-69 - Icasework IT System	IT Review	ToR issued					
2018/19-06 - Handover from Hospital Discharge Neighbourhood Team	Corporate						
2018/19-07 - Accounts Payable 18-19	Core Financial						
2018/19-08 - Accounts Payable and Debt Recovery 18-19	Core Financial						
2018/19-13 - Budget Setting and Monitoring 18-19	Core Financial						
2018/19-14 - Capital Expenditure 18-19	Core Financial						
2018/19-17 - Banking 18-19	Core Financial						
2018/19-19 - Main Accounting 18-19	Core Financial						

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

Audit	Audit type	Milestone	Final Report Date		H	M	L
2018/19-21 - Non-Current Assets 18-19	Core Financial						
2018/19-22 - Business Rates 18-19	Core Financial						
2018/19-23 - Payroll 18-19	Core Financial						
2018/19-26 - Payments to Child Care Provider and Foster Carers for Looked After Children 18-19	Core Financial						
2018/19-27 - Client Contribution for Care Provision 18-19	Core Financial						
2018/19-30 - Pensions and Investments 18-19	Core Financial						
2018/19-31 - Council Tax 18-19	Core Financial						
2018/19-34 - Direct Payments 18-19	Core Financial						
2018/19-44 - Housing Benefit and Council Tax Reduction Scheme (CTRS) 18-19	Core Financial						
2018/19-57 - Treasury 18-19	Core Financial						
2018/19-77 - Payments to Adult Care Providers 18-19	Core Financial						
2018/19-12 - Adult Care System (ACS) interface with Financial System	IT Review						
2018/19-15 - ASH - Debt Recovery System	IT Review						
2018/19-58 - OracleCloud - Financials	IT Review						
2018/19-59 - OracleCloud - HR	IT Review						
2018/19-60 - OracleCloud - Payroll	IT Review						
2018/19-70 - New Phone System and BCP	IT Review						
2018/19-71 - Office 365 and SharePoint	IT Review						
2018/19-72 - Robotics - HB system	IT Review						

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

Audit	Audit type	Milestone	Final Report Date		H	M	L
2018/19-73 - Self Service IT processes	IT Review						
2018/19-25 - Children in Need (CIN) Framework	Corporate						
2018/19-28 - Waste Management (Domestic)	Corporate						
2018/19-32 - Performance Management Framework for Child Social Care (CSC)	Corporate						
2018/19-56 - Homecare Service	Corporate						
2018/19-61 - Besson Street Project	Corporate						
2018/19-62 - Contract Management	Corporate						
2018/19-63 - Corporate Health and Safety	Corporate						
2018/19-64 - Planning Control	Corporate						
2018/19-66 - Recruitment Process	Corporate						
2018/19-67 - School Finance	Corporate						
2018/19-68 - Tendering / Procuring contracts and supplier resilience	Corporate						
2018/19-75 - Mulit Agency Safeguarding Hub (MASH) - Adults	Corporate						
2018/19-76 - School's Trading Website	Corporate						
2018/19-78 - Special Educational Needs (SEND and Children With Complex Needs (CWCN) Services	Corporate						
2018/19-79 - Fostering Arrangements	Corporate						
2018/19-81 - Implementation of GDPR	Corporate						
2018/19-82 - Rogue Landlords	Corporate						

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Appendix 2 - Status of corporate recommendations.

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue		Re-opened at F/up		Re-occurring (core only)	
			H	M	H	M	H	M
Accounts Payable 17-18	Satisfactory	20/04/18					1	2
Accounts Receivable 16-17	Limited	18/05/17		1				
Accounts Receivable 17-18	Satisfactory	25/06/18		2				
Adult Social Care System - Back up and BCP	Limited	04/04/16	1	1	1	1		
Banking 16-17	Limited	18/05/17				1	3	
Budget Monitoring and Setting 2017-18	Satisfactory	05/12/17		5				2
Client Contributions to Care Provision 16-17	Satisfactory	24/05/17						1
Direct Payments 17-18	Satisfactory	22/03/18		1				2
Expenses Reimbursed by Payroll 16-17	Satisfactory	30/01/17		1				
Garden Waste Service 2017/18	Satisfactory	05/01/18	1	6				
ICT Disaster Recovery	Substantial	04/11/17		1				
IT Helpdesk - Shared Services	Substantial	18/05/18		2				

Appendix 2 - Status of corporate recommendations.

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue		Re-opened at F/up		Re-occurring (core only)	
			H	M	H	M	H	M
Multi-Agency Safeguarding Hub Arrangements 2017/18	Consultancy	28/09/17		1				
Oracle Cloud - Migration 17-18	No Assurance	02/07/18	3	1				
Payments to Adult Care Providers 17-18	Satisfactory	26/04/18						3
Payments to Adult Care Providers 2016-17	Satisfactory	05/05/17		1				1
Payments to Care Providers and Foster Carers 2016-17	Satisfactory	05/05/17						1
Payments to Care Providers and Foster Carers 2017-18	Satisfactory	19/03/17						1
Pensions 17-18	Satisfactory	15/01/18		1				
Procurement Arrangements 17-18	Consultancy	03/07/18	1					
Project Management Review Framework 16-17	Limited	26/01/17			1	1		
Public Sector Network 16-17	Limited	01/02/17				1		
Recording of Safe Guarding – Section 42 Referrals	Limited	03/07/17		9				
Schools' Catering Contract 16-17	Limited	03/03/17		1		3		

Appendix 2 - Status of corporate recommendations.

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue		Re-opened at F/up		Re-occurring (core only)	
			H	M	H	M	H	M
SharePoint 14-15	Satisfactory	13/10/15				2		
South London and Maudsley NHS (SLaM)	Satisfactory	14/07/15		1				
Synergy Application	Satisfactory	19/06/18	1	1				
Youth Offending Service 17-18	Consultancy	06/02/18		8				
total			7	44	2	9	4	13

Appendix 3 Progress on the Schools' Audit Plan for 2018-19

School	Final Report	Current Milestone	Assurance opinion	H	M	L	Planned Date
2018/19-02 - St Michael's CE Primary School 18-19	12/07/2018	Final Report	Substantial	-	12	-	08/05/2018
2018/19-09 - Adamsrill Primary 18-19	07/08/2018	Final Report	Substantial	-	9	-	25/06/2018
2018/19-41 - Prendergast Ladywell 18-19		Draft Report					05/06/2018
2018/19-42 - St Margaret's Lee CE Primary 18-19		Draft Report					12/06/2018
2018/19-45 - Prendergast Vale School 18-19		Draft Report					26/06/2018
2018/19-46 - Sedgemoor Secondary 18-19		Draft Report					02/07/2018
2018/19-47 - Prendergast School (Secondary) 18-19		Draft Report					09/07/2018
2018/19-11 - Addey and Stanhope Secondary 18-19		File Reviewed					30/07/2018
2018/19-48 - Launcelot Primary 18-19		Fieldwork end date					30/07/2018
2018/19-33 - Deptford Green Secondary 18-19		Fieldwork end date					20/08/2018
2018/19-01 - Abbey Manor College 18-19		Fieldwork end date					28/08/2018
2018/19-49 - Watergate (special) 18-19		Fieldwork Start					06/08/2018
2018/19-10 - Ashmead Primary 18-19							04/03/2019
2018/19-16 - Athelney Primary 18-19							28/01/2019

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Appendix 3 Progress on the Schools' Audit Plan for 2018-19

School	Final Report	Current Milestone	Assurance opinion	H	M	L	Planned Date
2018/19-20 - Bonus Pastor Catholic College 18-19							26/11/2018
2018/19-24 - Chelwood Nursery 18-19							08/10/2018
2018/19-29 - Consiborough College 18-19							03/12/2018
2018/19-37 - Edmund Waller Primary 18-19							15/10/2018
2018/19-38 - Fairlawn Primary 18-19							17/09/2018
2018/19-39 - Forest Hill Secondary School 18-19							24/09/2018
2018/19-40 - Forster Park Primary 18-19							21/01/2019
2018/19-50 - St Mary Magdalen's Catholic Primary 18-19							04/02/2019
2018/19-51 - Kender Primary 18-19							29/10/2018
2018/19-52 - Sydenham Secondary 18-19							05/11/2018
2018/19-53 - Holbeach Primary 18-19							12/11/2018
2018/19-54 - Kilmorrie Primary 18-19							19/11/2018
2018/19-55 - Trinity All Through School 18-19							14/01/2019

Appendix 4 – Schools’ Progress on Recommendations

Name of Audit (Schools)	Final Report Date	Opinion	Recs Overdue
Beecroft Garden Primary School 2017-18	Satisfactory	14/05/2018	12
Brent Knoll School 2017-18	Satisfactory	25/01/2018	15
Brindishe Lee 2017-18	Substantial	30/04/2018	4
Coopers Lane Primary School - 2017-18	Satisfactory	14/03/2018	6
Elfrida Primary School 2017-18	Satisfactory	06/03/2018	11
Holy Trinity CE Primary School 2017-18	Satisfactory	06/12/2017	1
Horniman's School 16-17	Satisfactory	01/06/2017	1
Kelvin Grove Primary School 2017-18	Substantial	22/11/2017	1
Prendergast - Hilly Fields 2015-16	Satisfactory	29/07/2016	2
Prendergast Vale School 2015/16	Substantial	29/07/2016	3
Rangefield Primary School 16-17	Satisfactory	06/02/2017	2
Sir Francis Drake Primary School	Substantial	22/05/2018	8
St Augustine's Catholic Primary School	Substantial	15/03/2017	1
St Bartholomew's CE Primary School 17-18	Substantial	19/04/2018	3
St James Hatcham CE Primary School 2017/18	Satisfactory	01/05/2018	9
St William of York Catholic School 17-18	Substantial	07/03/2018	3
St Winifred's Catholic Primary School 17-18	Substantial	02/05/2018	4
Turnham Primary 13-14	No Assurance	31/07/2013	1
Turnham Primary School 16-17	No Assurance	04/07/2017	12
		TOTAL	99