



AGENDA AUDIT PANEL

Date: THURSDAY, 11 FEBRUARY 2021 at 7.00 pm

MICROSOFT TEAMS

Enquiries to: Sarah Assibey
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COUNCILLORS

Councillor James Rathbone
Councillor Paul Maslin
Councillor Joan Millbank
Councillor Susan Wise
Councillor Alan Hall
Councillor Sophie Davis

Independent Members

Carole Murray
Ian Pleace
Stephen Warren

Members are summoned to attend this meeting

Kim Wright
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: 3 February 2021



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	DECLARATIONS OF INTEREST	
Key Decision		Item No. 1
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 11 February 2021

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)

Agenda Item 2

AUDIT PANEL		
Report Title	MINUTES	
Key Decision		Item No. 2
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 11 February 2021

Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 4 November 2020 be confirmed and signed.

MINUTES OF THE AUDIT PANEL MEETING

Wednesday 4 November 2020 at 7pm

PRESENT: Carole Murray, Ian Pleace, Stephen Warren (Independent Members), Councillor Rathbone (Chair), Councillor Millbank, Councillor Hall and Councillor Davis

Apologies: Councillor Wise and Councillor Maslin

1. Declarations of interest

No interests were declared.

2. Minutes

Item 5 of the minutes “internal audit” to be amended to “external audit”.

It was clarified that actions in the minutes recorded to be due for reporting at the “next meeting” that this is meant as the next quarterly meeting.

The minutes were agreed as an accurate record of the meeting

3. External Audit

Grant Thornton (GT) presented this item and gave a summary of the reports, main audit findings, pension fund report and the addendum as set out in the agenda.

There had been movement from the draft submitted to audit to the final position. Last year, GT reported weaknesses in terms of the “cut off” and the Council’s ability to ensure that cut off had been applied appropriately so that the transactions for the correct year are recorded appropriately.

GT extrapolated the error found, and are pleased the extent of the error was not material to the statements.

There were some issues found with the valuation of surplus assets in that they were not revalued. Additional reports were carried out and adjustments had been undertaken and reflected in the updated accounts.

There were a number errors in the financial statements for this year, more than the comparable boroughs. There was an improvement from the prior year but there is still work to be done.

Management correctly disclosed within the statements that valuations for property funds and recruitment are subject to material valuation uncertainty, due to the impact of COVID-19. It has slowed the property market down and GT agree with the disclosure and deemed it worth highlighting.

GT conclude that there were no material errors within the financial statements.

The Council had taken into account the financial impact of COVID-19 and reported on it. GT conclude there is no material impact in the Council's plans in the 12 months to come.

Recommendations were agreed with Management and set out in the report.

In terms of value for money, GT did not find anything that is material in the arrangements that have been put in place as analysed in the report. The pension fund audit findings report outlined the same material uncertainty, in terms of the pension liabilities. Management has appropriately disclosed the uncertainty to GT's satisfaction.

Independent Members commented that it was relevant to the Council and officers to consider whether or not it is a non-trivial issue to sign off on the error extrapolated by GT, considering the cost of £6.6m.

In discussing the statement of accounts it was asked about the variances in the CYP directorate and the contribution of housing capital receipts in the government pool. It was responded that the variance is because the housing capital receipts show repayments from the prior year made in the current year. Revaluation impairments going into CYP rather than actual spend.

The report was noted.

4. Response to Grant Thornton's Findings Report

The Acting Group Finance Manager presented this report.

The officer responses were set out in the report.

The public inspection took place between August and September. There were no objections to the accounts. Enquiries were responded to, any outstanding enquiries from the public and in process of being responded to.

The Panel also further discussed the extrapolation.

Action: officers to report further, evaluating the extrapolation found by Grant Thornton, in as much detail as they deem necessary. Independent Members suggested this matter be resolved to the satisfaction of Members. Officers agreed to send the report via email.

Action: a more considered response with specific actions, responsibilities and target dates be brought to the next Panel.

The report was noted.

5. Exclusion of Press and Public

RESOLVED that the report be noted.

6. Progress with Audits of Concern

The Director of Corporate Resources presented this report.

The report highlighted the three items the Panel requested come to this meeting where there were concerns about the level that recommendations were not followed through on a timely basis, namely Accounts Receivable and Debt Recovery, Client Contributions for Care Provision and Payments to Childcare Providers and Foster Carers for Looked After Children.

Action: The update concerning Children and Young People could not be given at this meeting due to IT issues, and will be presented at the next meeting

Action: Officers to report on vacation rule for Oracle Cloud and update Panel on user set-up.

RESOLVED the report was noted



Audit Panel

Report title: Audit Progress Report and Sector Update

Date: 11 February 2021

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Executive Director for Corporate Resources

Outline and recommendations

The purpose of this report is to provide an update to members of the Audit Panel on the preparations for the 2020/21 closing of accounts and statutory external audit processes.

Members of the Audit Panel are asked to note the contents on the report.

1 Summary

- 1.1 This report provides an update to members of the Audit Panel on the preparations for the 2020/21 closing of accounts and statutory external audit processes.

2 Recommendation

- 2.1 The Audit Panel is recommended to note the contents of the report.

3 Policy Context

- 3.1 The information set out in the financial accounts is consistent with the delivery of the Council's corporate priorities (contained within the Corporate Strategy 2018-22) and is particularly relevant to the Council's strong and resilient framework for prioritising action which has assisted the organisation in the face of austerity and ongoing cuts to local government spending.

4 2020/21 External Audit

- 4.1 The external auditors Grant Thornton are due to commence the interim audit towards the end of February 2021. The areas which are being covered as part of this interim process include: updated review of the Council's control environment; updating their understanding of financial systems; review of Internal Audit reports on core financial systems; early work on emerging accounting issues; and early substantive testing.
- 4.2 The table on page 5 of the report sets out the planned dates with regards to the interim audit testing.

5 Closing of Accounts

- 5.1 The 2020/21 Closing of Accounts timetable, guidance notes and reporting deadlines are currently being reviewed to be updated and communicated to all officers concerned, in order to achieve a successful and timely closedown.

6 2020/21 Statement of Accounts

- 6.1 The Statement of Accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounts, as agreed by the Ministry of Housing, Communities and Local Government. Thereby, under the Accounts and Audit Regulations 2015, the pre-audit Statement of Accounts is required to be completed and submitted for external audit by no later than 31st May 2021, and the audited Statement of Accounts is required to be completed and approved by full Council by 31st July 2021.
- 6.2 However, given the very real practical challenges of meeting the audit deadline of 31st July, it is anticipated that the audit fieldwork will be completed by this date, but the actual approval of the audited Accounts will not be obtained until full Council in September. Audit Panel will be updated of the position in July and will receive the audited Accounts in September, before approval by Council.

7 Sector Update

- 7.1 The report also provides members of the Audit Panel with an update on the sector. It provides an up to date summary of emerging national issues and developments to support the Council. It covers areas which may have an impact on the local authority, the wider local government sector and the public sector as a whole. These updates start from page 6 of the report.

Is this report easy to understand?

Please give us feedback so we can improve.

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8 Implications

- 8.1 There are no financial, legal, crime and disorder, equalities or environmental implications directly arising from this report.

9 Conclusions

- 9.1 The report confirms that plans and procedures are in place to enable a timely and accurate audited Statement of Accounts to be produced at year-end.

Report author and contact

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Audit Progress Report and Sector Update

London Borough of Lewisham
Year ending 31 March 2020
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January 2021



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Introduction



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This paper provides the Audit Panel with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Panel may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Members of the Audit Panel can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Key Audit Partner or Engagement Manager.

Progress at 26 January 2021

2019/20 Financial Statements Audit

We have completed our audit of the Council's 2019/20 financial statements. Our unqualified audit opinion was issued on the 26 November 2020 ahead of the 30 November 2020 deadline. At the same time we issued an unqualified Value for Money opinion.

We are currently in the process of completing our work on your Whole of Government Accounts. Once this work has been completed we will be able to issue our audit certificate.

We are planning to attend the Council's 2021 closedown workshop as in previous years to discuss the 2019/20 audit and improvements for 2020/21. Finance officers are implementing plans to ensure that the accounts closedown and audit process meets the 2021 audit deadline which is potentially moving to 30 September 2021.

2020/21 Financial Statements Audit

We will commence our planning and interim for the 2020/21 audit in February 2020. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The results of our work will be included within the progress report to the next Audit Panel along with our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 September 2021

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim is being finalised and we will provide our agreed upon procedures report by the Council's extended deadline of 12 February 2021.

We certified the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions in advance of the 30 November deadline.

We also certify the Council's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The Council is in the process of finalising work on prior year claims prior to us being able to start the audit.

Meetings

We met with Finance Officers and your Chief Executive in December 2020 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	December 2020	Complete
<p>Housing Benefit, Teachers' Pensions and other claims and returns</p> <p>Our certification of your Housing Benefit and other claims and returns</p>	January 2021	Ongoing
2020/21 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Panel setting out our proposed approach in order to give an opinion on the Council's 2020-21 financial statements and a Conclusion on the Council's Value for Money arrangements.</p>	March 2021	Not yet due
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	March 2021	Not yet due
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the September Audit Panel</p>	September 2021	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	September 2021	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	November 2021	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

Local government reorganisation in two-tier shire counties – County Councils’ Network

The County Councils’ Network (CCN) has published new independent evidence on the implications of local government reorganisation in two-tier shire counties ahead of the publication of the government’s ‘devolution and local recovery’ white paper.

The report identifies considerations relating to:

- the costs associated with disaggregation;
- what this might mean in terms of risk and resilience of service provision;
- how service performance might be impacted;
- what it could mean for the place agenda; and
- issues arising from the response to Covid-19.

The report also sets out the financial implications of four unitary scenarios:

- Establishing one unitary authority in every two-tier area in England.
- Establishing two new unitary authorities in every two-tier area in England.
- Establishing three new unitary authorities in every two-tier area in England.
- Establishing two new unitary authorities and a children’s trust in every two-tier area in England.

CNN note “With councils in shire counties facing billions in rising costs for care services, alongside financial deficits caused by the Coronavirus pandemic, the study from PricewaterhouseCoopers (PwC) shows merging district and county councils in each area into a single unitary council could save £2.94bn over five years nationally.”

CNN go on to comment “The report concludes a single unitary in each area would reduce complexity and give communities a single unified voice to government. It would provide a clear point of contact for residents, businesses and a platform to ‘maximise’ the benefits of strategic economic growth and housing policy; integral to the ‘levelling-up’ agenda and securing devolution.

However, the report shows replacing county and districts with two unitary authorities in each area would reduce the financial benefit by two-thirds to £1bn over five years, with three unitary authorities delivering a net loss of £340m over the same period. A fourth scenario of a two-unitary and children’s trust model in each county would deliver a net five year saving of £269m.

Alongside a minimum £1.9bn in additional costs from splitting county council services, the report outlines the establishment of multiple unitary authorities in each area creates the risk of disruption to the safeguarding of vulnerable children, while ‘instability’ in care markets could impact on the quality and availability of support packages and care home placements.”



The full report can be obtained from the County Councils’ Network website:

<https://www.countycouncilsnetwork.org.uk/new-analysis-reveals-that-single-unitary-councils-could-deliver-3bn-saving-over-five-years-and-maximise-the-benefits-of-economic-growth-and-housing-policy/>

Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Panel members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals, including the prescribing accrual
- Credit loss and impairment allowances including loans to your subsidiaries
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 investments

The Councils Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that::

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

How can you help

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquiries are completed by management and confirmed by those charged with governance at an Audit Panel meeting. For our 2020/21 audit we will be making additional enquiries on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquiries in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)



Audit Panel

Report title: Update on 2019/20 Action Plans

Date: 11 February 2021

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Executive Director for Corporate Resources

Outline and recommendations

The purpose of this report is to provide an update to members of the Audit Panel on the 2019/20 action plans arising from the audit process for that year. This includes the action plans for the main accounts and the Pension Fund.

Members of the Audit Panel are asked to note the contents on the report.

1 Summary

- 1.1 This report provides an update to members of the Audit Panel on the action plans pertaining to the main accounts and the Pension Fund for 2019/20.

2 Recommendation

- 2.1 The Audit Panel is recommended to note the contents of the report.

3 Policy Context

- 3.1 The information set out in the financial accounts is consistent with the delivery of the Council's corporate priorities (contained within the Corporate Strategy 2018-22) and is particularly relevant to the Council's strong and resilient framework for prioritising action which has assisted the organisation in the face of austerity and ongoing cuts to local government spending.

4 Action Plans

- 4.1 The officers' updates to the action plans are attached as follows:
- Appendix A – Main Accounts
 - Appendix B – Oracle and General IT
 - Appendix C – Pension Fund

5 Implications

- 5.1 There are no financial, legal, crime and disorder, equalities or environmental implications directly arising from this report.

6 Conclusions

- 6.1 The appended documents provide Audit Panel members with updates on officers' progress in implementing recommendations arising from the 2019/20 external audit.

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**Audit Findings Report 2019/20 – Appendix A – Assessment Issue and Risk Recommendations
Officer Action Plan for Main Accounts**

Assessment (GT)	Issue and Risk (GT)	Recommendations (GT)	Responsible Officer (LBL)	Officer Action (LBL)	Target Date (LBL)	Completed Date (LBL)
1) High	The draft financial statements provided for audit continued to contain more misstatements than expected. A robust management review may have identified and corrected some of these misstatements prior to submission for audit.	Ensure that sufficient time is built into your closedown processes to enable a robust management and quality review to be completed prior to the financial statements being submitted for audit.	Acting Group Finance Manager (Core Accounting)	<ul style="list-style-type: none"> - Closing timetable for 2020/21 to be updated to allow more time for management review. - Ensure that the review actually takes place before submission of financial statements for audit. 	<ul style="list-style-type: none"> - Update timetable by 05/02/21 - Review statements by 25/06/21 	
2) Medium	The Council did not request their external valuers to undertake a valuation of all their surplus assets in accordance with International Financial Reporting Standards.	Check that the instructions given to your external valuers are in line with the accounting standards.	Acting Group Finance Manager (Core Accounting)	Terms of engagement sent to valuers on 22/01/21. Checked that these are in line with accounting standards.	22/01/21	22/01/21
3) Medium	Our sample cut-off testing from bank statements in April and May 2020 identified four expenditure items totalling £175k that related to 2019/20 that had not been accrued. This error extrapolated to £1,811k. Similarly our sample testing of invoices received in April and May 2020 identified expenditure items totalling £346k that related to 2019/20 that had not been accrued. We extended our	All officers of the Council need to be reminded of the importance of coding expenditure to the year in which it relates. Review processes need to be enhanced to identify any potential unrecorded liabilities.	Acting Group Finance Manager (Core Accounting)	<ul style="list-style-type: none"> - Officers to be reminded of this requirement via updated closing guidance notes - This reminder will be reinforced as part of the annual 'all finance staff' meeting dedicated to the close down and audit process in early March 2021. - Review work to be carried out during closing process 	<ul style="list-style-type: none"> - Update and issue guidance notes by 19/02/21 - Review work by 04/06/21 	

	testing and did not find any more errors. This error extrapolated to £4,842k. Your cut-off procedures need strengthening to ensure that expenditure is coded in the year in which it relates.					
4) Medium	The Council requires Members to declare any interests at the beginning of meetings and to update their declarations if there are changes to their existing circumstances. These declarations are held in a central database and the Council's website updated accordingly. However, the Council does not have in place an annual declaration form for Members to complete as part of the accounts process. There is a risk that related party disclosures could be missed.	All Members should be required to complete a year end declaration of interest form. Nil returns should be mandatory.	Head of Governance Support and Acting Group Finance Manager (Core Accounting)	- Send form to all Members at year-end - Ensure that all forms are returned, including nil returns - Escalate where necessary to the respective Executive Director	- Send form by 01/04/21 - Ensure returned by 30/04/21	
5) High	Our testing of IT General Controls identified the following findings which have been reported in detail to management: <ul style="list-style-type: none"> • System Administrator accounts with excessive elevated business responsibilities • End-users with critical IT privileges within Oracle 	Management should implement the recommendations raised in the IT General controls report.	Director for IT and Digital	<i>Please note – detailed update attached at Appendix B</i>	<i>Please note – detailed update attached at Appendix B</i>	

	<ul style="list-style-type: none"> • Lack of defined IT processes for Oracle Fusion • Minimal password security within Oracle • Audit logging is not proactively monitored within Oracle • Lack of Periodic Third-Party Service Assurance Report Review for Oracle, ResourceLink and Academy • End-users, IT managers and leavers with Security Administration Rights within Academy, ResourceLink and Active Directory • Periodic Employee Acknowledgement of InfoSec Policy Requirements • Removing Leavers' Access Rights within Academy and Active Directory • Inadequate Minimum Password Length Enforcement within ResourceLink • Lack of Policies, Processes and Security for Batch Processing 					
<p>6) Medium</p>	<p>Brief explanations are provided within reports, explaining reasons why individual savings programmes have not delivered. The reports would be further enhanced by explaining the action the Council is taking to bring the</p>	<p>Explain in savings monitoring reports action the Council is taking to bring under-performing savings programmes back on track and the progress of alternative</p>	<p>Director of Financial Services</p>	<p>- This is currently being set out in the 2019/20 financial forecasts reports which are presented to EMT monthly - RAG rated assessment of the delivery of achieved savings have been introduced as part of monthly reporting.</p>	<p>This is under continual review and a comprehensive assessment of savings delivery will be provided as part of the 2020/21 final</p>	

	savings back on track and highlighting progress of alternative programmes to mitigate the under-delivery.	programmes which are mitigating the under-delivery.		- Continued improvement of the explanations form part of the month by month improvements of reporting on savings plans with support from the newly re-formed PMO.	outturn report in June 2021	
7) Medium	A third of the proposed savings were not delivered. This indicates potential weaknesses in the arrangements for identifying suitable and realistic savings schemes and / or arrangements for ensuring effective implementation. The need to understand the reason for under-delivery is particularly important given the increased savings requirements built into your future financial plans.	Review processes for identifying suitable savings schemes and ensuring proposals are appropriately scrutinised, risk rated and achievable. Review processes for effective implementation of approved savings schemes to ensure they can be implemented effectively and within the agreed timescales.	Director of Corporate Resources	<ul style="list-style-type: none"> - Wider and continued engagement with Executive Directors and Directors as part of the Senior Leadership Team meetings and networks - A process has now been developed where savings proposals are considered as being Director led and owned. - Review meetings of 'at risk' proposals by the CE and S.151 officer. 	<ul style="list-style-type: none"> - Following review of 20/21 experience review of process for 21/22 and future years in line with MTFS agreed. - New approach has ensured strong EMT engagement and thematic focus for identifying service and cross-cutting opportunities aligned to Covid recovery plans - New Project Management Office resource invested in to coordinate the delivery of agreed cuts – linked to CX/s151 reviews - This work has been 	<p>Preparations completed for 3 February 2021</p> <p>Focus will now move to implementing the cuts and reporting on delivery via regular monitoring</p>

					scrutinised as part of the cuts proposals and the approach confirmed in the draft budget	
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Appendix B – Update on action relating to Oracle and General IT controls

Oracle Technical

No.	Observation	Recommendation	Response
4.1.1 Completed	<p>Our testing of IT General Controls identified the following findings which have been reported in detail to management:</p> <ul style="list-style-type: none"> • System Administrator accounts with excessive elevated business Responsibilities 	<p>A detailed review should be undertaken of all responsibilities in use that are allocated to the Lewisham environment. Access to functions and data should be based on a least privileged principle. The scope of this review should include Lewisham users and responsibilities that have been copied from default responsibilities.</p>	<p>System Administrator accounts with excessive elevated business responsibilities – this level is a prerequisite for system administration. Please see response to those individuals with “IT Security Manager”.</p> <p>There are currently 4 named accounts in use, and these are the essential members of the Oracle Systems Administration team, and are required to have this level of access in supporting the system.</p> <p>Note, whilst there are 3 generic accounts within the system (Interface User ; Lewisham Buyer ; Lewisham Scheduler) These are used internally only within the system processes and are therefore required for specific Cloud processing – these accounts are not available for an individual user to be able to access. The remainder of any generic accounts that were in use during development and implementation have been removed as recommended.</p> <p>Access will be reviewed monthly – Process has been agreed with Evosys. SR is maintained to ensure this process. SR#106237</p>
4.1.2 Completed	<p>End-users with critical IT privileges within Oracle</p>	<p>Access to critical IT security privileges within Oracle should be transferred to IT system administrators who do not perform end-user duties. All security access</p>	<p>End-users with critical IT privileges within Oracle Lewisham will arrange a 6 monthly review of user access, whereby managers sign off on their staffs role</p>

		rights within Oracle granted to end-users should be revoked.	access, including elevated access integral to the service areas's
No.	Observation	Recommendation	Response
			self management of the system. This review process is now scheduled for early Feb 21.
4.1.3 Completed	Lack of defined IT processes for Oracle Fusion	<p>Processes should be established for Oracle in BAU and there should be a formal handover to the Oracle Systems Team.</p> <p>As a minimum, formal processes should be established and enforced around:</p> <ul style="list-style-type: none"> • User Access Management • Access rights review • Change Management 	<p>User Access Management</p> <ul style="list-style-type: none"> • There is a formal process in place for ERP for allocating roles, approved by the group finance manager, director of service & director of financial services or executive director for corporate services. • For HR/Payroll a similar process is in place for allocating roles, approved by Data owners for HR and Payroll respectively. <p>Access rights review:</p> <ul style="list-style-type: none"> • Lewisham have arranged a 6 monthly review of user access, whereby managers sign off on their staffs role access, including elevated access integral to the service area's self management of the system. N.b. any leaver will have all roles revoked automatically by HR on termination. <p>Change Management</p> <ul style="list-style-type: none"> • Lewisham now have a process to sign off and document the formal process for recording and approving significant changes to the Oracle Cloud system is in place now. Oracle CAB is held weekly to manage Oracle changes.
4.1.4 Completed	Minimal password security within Oracle	Management should enable account lockout controls within Oracle to address the risk of password cracking. Users should be forced to change their passwords a	Lewisham Oracle users use the councils single sign on (SSO) policy and therefore do not use username/password at sign in. SSO has a complex

		maximum of every 90 days. Password complexity should be introduced.	password and expiry rules, contravention of which will lock out Oracle access.
No.	Observation	Recommendation	Response
			<ul style="list-style-type: none"> • These are currently: Passwords may not contain the user's AccountName (Account Name) value or entire displayName (Full Name value). Both checks are not case sensitive. <ul style="list-style-type: none"> • The password contains characters from three of the following categories: <ul style="list-style-type: none"> o Uppercase letters of European languages (A through Z, with diacritic marks, Greek and Cyrillic characters) o Lowercase letters of European languages (a through z, sharp-s, with diacritic marks, Greek and Cyrillic characters) o Base 10 digits (0 through 9) o Non-alphanumeric characters (special characters): (~!@#%&* _ - += ` \ \(){}[]:;'"<>.,?/) Currency symbols such as the Euro or British Pound are not counted as special characters for this policy setting. <ul style="list-style-type: none"> o Any Unicode character that is categorized as an alphabetic character but is not uppercase or lowercase. This includes Unicode characters from Asian languages. o Enforce Password history; 20 passwords remembered o Maximum password age; 90 days o Minimum password age; 1 day

			<ul style="list-style-type: none"> o Minimum password length; 9 chars o Password must meet complexity requirements; enabled
No.	Observation	Recommendation	Response
4.1.5 In Progress	Audit logging is not proactively monitored within Oracle	Given the criticality of data accessible through Oracle, logs of information security events (i.e., login activity, unauthorised access attempts, access provisioning activity) created by these systems should be proactively, formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should ideally be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.	<p>1) login activity Lewisham AMT (Cloud systems support) will identify requisite report(s) by Sept 2020 and request Internal Audit to review on an interval agreed by them</p> <p>2) unauthorised access attempts Lewisham AMT (Cloud systems support) will identify requisite report(s) by Sept 2020 and request Internal Audit to review on an agreed interval</p> <p>3) access provisioning activity) There is a formal process in place for ERP for allocating roles, approved by the group finance manager, director of service & director of financial services or executive director for resources & regeneration. For HR/Payroll a similar process has been signed off post Hypercare period (Sept 2020). Both will have the necessary audit trail.</p>

General IT Controls

No.	Observation	Recommendation	Response
4.2.1 In progress	Lack of Periodic Third-Party Service Assurance Report Review for Oracle, ResourceLink and Academy.	We recommend management implement a process to periodically (for example annually) obtain a SOC or ISAE 3402 Assurance report. The report should then be formally reviewed, and any ineffective controls / auditor findings assessed for local relevance and impact.	<p>Oracle Cloud: Lewisham will obtain yearly SOC's from Oracle and formally review recommendations, For ERP & HR/Payroll this will commence post Hypercare (Sept 2020)</p> <p>ResourceLink :</p>

		<p>Consideration should also be given to identifying any user entity controls specified within the report and ensuring those are implemented locally and operating effectively.</p>	<p>Mitigated, as RL is now an archive system Academy (Thanh Ngo): Regular service assurance is provided by Capita CST, with whom the Council has a support contract for the Academy system. Capita CST provide monthly reports and, in addition, monthly service review meetings are held with them.</p>
4.2.2 Completed	<p>End-users, IT managers and leavers with Security Administration Rights within Academy, ResourceLink and Active Directory</p>	<p>The responsibility of administering security within Academy, ResourceLink and Active Directory should be transferred to IT system administrators who do not perform end-user duties. All security administration rights within Academy, ResourceLink and Active Directory granted to end-users or leavers should be revoked.</p>	<p>ResourceLink : Mitigated as ResourceLink is now a read-only, archive system. Within the system administration there is an added layer of security with only IT system administrators gaining access with a secure password. An option to prevent users from accessing their own record is available. An option exists to create a new security profile. If system was live.</p> <p>Active Directory: The shared service would not be responsible for managing the security within the Academy and Resourcelink applications. The shared service is responsible for managing Active Directory however. The users in the domain admins group is now reviewed regularly by the Enterprise Support team within the shared service. It is true that the Head of Operations has a domain admins account (in addition to a standard account) but this is required for dealing</p>

			with priority 1 issues that occur outside of business hours (8am to 6pm Monday to Friday) as there is currently no formal out of hours support offered by the shared service.
No.	Observation	Recommendation	Response
4.2.3 In progress	Periodic Employee Acknowledgement of Infosec Policy Requirements	Management should introduce a process whereby existing employees are required to periodically (at least annually) formally acknowledge that they have read, understand, and will abide by requirements outlined in the organisation's information security policies. Documentation of these acknowledgements should be retained on file for future reference.	Information Governance Team (Tressina Jones): The Council has purchased a new system called Meta Compliance. This monitors, tracks and reports on completion and acceptance of all training and policies and we can include the council's security policy, or any other policy required to meet this audit requirement; i.e. it would ensure that the Council have a periodic employee acknowledgement / acceptance of council policy / procedure in place that is tested regularly. Due to resourcing issues the introduction of new policies/ training into the system has been put on hold until the service is back to full FTE, at which point the above will be planned and implemented.
4.2.4 In progress	Removing Leavers' Access Rights within Academy and Active Directory	All logical access within financially critical systems belonging to terminated personnel (i.e. "leavers") should be revoked in a timely manner (preferably at time of termination). Security administrators of financially critical applications should be provided with (a) timely, proactive notifications from HR of leaver activity for anticipated terminations and (b) timely, per-occurrence	Academy : Academy Benefits is accessed via SSO, based on the user's network credentials. Therefore access is cease with immediate effect as soon as AD account is disabled by SICTS, following the completion of the leaver form by the user's line manager. This process is outside the scope of the Benefits Control Team it is reliant on the user's line manager to submit the

		<p>notifications for unanticipated terminations. Security administrators of financially critical applications should then use these notifications to either (a) end-date user accounts associated with anticipated leavers or (b) immediately disable user accounts associated with unanticipated leavers.</p>	<p>leaver form in a timely manner for SICTS to complete the process. Therefore remedy would have to come from a review/improvement of the corporate leaver's process, not from within Revs & Bens.</p> <p>Active Directory : The leavers' process is currently being reviewed but part of that process is that the account is disabled and should therefore remove access to all systems that use Active Directory for authentication. The shared service does not manage security within applications themselves.</p>
4.2.5 Completed	Inadequate Minimum Password Length Enforcement within ResourceLink	The organisation should enable minimum password length restrictions within ResourceLink to a value in-line with best practices.	<p>ResourceLink: On recommendation password minimum length increased to eight characters with a minimum of three character types required.</p>
4.2.6 Completed	Lack of Policies, Processes and Security for Batch Processing	Documented policies and processes should be established and disseminated for batch processing.	<p>Oracle Cloud: There are documented processes in place and the 2 examples provided by the auditor of batch processing in Oracle Cloud have been demonstrated (evidence was emailed separately April 2020) They are 1) 3 1 3 - Oracle - Scheduled process error logs - F59D6451 2) 3 1 2 - Oracle - AP Liability Reconciliation DEC 2019-20 (Cloud). These processes are the responsibility of Lewisham Core Accounting, Financial Services Group.</p> <p>ResourceLink : Responsibility and main contacts for this would be with Lewisham's Payroll Team. This is now mitigated</p>

			<p>as RL is now an archive read- only system.</p> <p>Academy :</p> <p>Capita CST, with whom the Council has a support contract for the Academy system, are responsible for all Academy batch processing.</p>
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**Audit Findings Report 2019/20 – Appendix C – Assessment Issue and Risk Recommendations
Officer Action Plan for Pension Fund Accounts**

Assessment (GT)	Issue and Risk (GT)	Recommendations (GT)	Responsible Officer (LBL)	Officer Action (LBL)	Target Date (LBL)	Completed Date (LBL)
1) Medium	The current set-up of the general ledger is not conducive for financial reporting. This results in management having to make several significant adjustments each year outside of the ledger to consolidate the pension fund financial statements. This makes the process more time-consuming and increases the potential for errors/omissions to occur.	Management should reconfigure the ledger so that it is in line with external reporting and minimizes (or eliminates) the need for manual adjustments.	Director of Corporate Resources	<p>None taken as yet – requires external custodian to reconfigure reporting (which has been discussed but exercise yet to be undertaken) and ledger adjustments to historical balances, also yet to be completed.</p> <p>The fund is likely to be undertaking a significant number of mandate changes and transition of funds in the coming months. The team is also facing significant personnel change currently which has slowed plans for this work. This will be picked up once the above are stabilised.</p> <p>Discussions with custodian to align this work ongoing</p>	<p>Slipped from 31/12/2021</p> <p>Now likely to be post 20/21 audit – Sept 21</p>	



Audit Panel

Report title: External Audit – Annual Audit Letter and Response to Financial Reporting (FRC) Findings

Date: 11 February 2021

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Executive Director for Corporate Resources

Outline and recommendations

The purpose of this report is to present the annual audit letter and the external response to the Financial Reporting Council (FRC) findings.

The annual audit letter summarises the key findings arising from the work that the external auditors have carried out at the London Borough of Lewisham. Also attached is a letter from the external auditors to the Audit Panel in response to the recent FRC findings into the financial statements and value for money work undertaken by major audit firms.

Members of the Audit Panel are asked to note the contents on the report.

1 Summary

- 1.1 The attached documents include the annual audit letter and a letter to the Audit Panel setting out Grant Thornton's response to the Financial Report Council (FRC) findings.

2 Recommendation

- 2.1 The Audit Panel is recommended to note the contents of the report.

3 Policy Context

- 3.1 The information set out in the financial accounts is consistent with the delivery of the Council's corporate priorities (contained within the Corporate Strategy 2018-22) and is particularly relevant to the Council's strong and resilient framework for prioritising action which has assisted the organisation in the face of austerity and ongoing cuts to local government spending.

4 Implications

- 4.1 There are no financial, legal, crime and disorder, equalities or environmental implications directly arising from this report.

5 Appended Documents

- Annual Audit Letter – London Borough of Lewisham
- Letter to Audit Panel on Response to FRC findings

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Annual Audit Letter

London Borough of Lewisham

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3. Value for Money conclusion

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Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at London Borough of Lewisham Council (the Council) and its subsidiaries, (the group) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Panel as those charged with governance in our Audit Findings Report on 4 November 2020.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the group's financial statements to be £16,500,000, which is approximately 1.5% of the group's gross cost of services.
Financial Statements opinion	<p>We gave an unqualified opinion on the group's financial statements on 26 November 2020.</p> <p>We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the group's land and buildings and the council's share of the pension fund's property, private equity and diversified alternative investments as at 31 March 2020 given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the group's financial position and its income and expenditure for the year.</p>
Whole of Government Accounts (WGA)	We are in the progress of completing our work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 26 November 2020.
Certificate	We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we have certified completion of the prior year audits (certificates were previously held open due to prior year objections which have now been determined) and completed our work on the Whole of government Accounts return.

Working with the Council

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council.

The Council has faced extensive front-line challenges as a result of the pandemic such as administration of grants to businesses and closure of schools with additional complexities of reopening services under new government guidelines. The Council has responded well to the challenges caused by the pandemic.

Throughout the closedown period we held regular meetings with the Council's key finance staff to discuss the impact of Covid-19. We also discussed the financial implications in terms of asset valuations, going concern and provision for credit losses in advance of the submission of the financial statements.

There have not been any changes in key financial processes that impacted on our audit approach. Restrictions for non-essential travel have meant both teams have had to be flexible in approaches to sharing information. We agreed to use video calling to watch the finance team run the required reports to gain assurance over the completeness and accuracy of information produced by the Council.

We made more use of conference calls and emails to resolve audit queries. Both teams utilised a query log to track and resolve outstanding items. Weekly meetings were held with senior finance staff to highlight key outstanding issues and findings to date, ensuring that the audit process was as smooth as possible. The audit was completed ahead of the 30 November 2020 revised deadline.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
December 2020

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group financial statements to be £16,500,000, which is approximately 1.5% of the group's gross cost of services. We determined materiality for the audit of the Council's financial statements to be £16,000,000, which is 1.5% of the Council's gross cost of services. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We set a lower threshold of £800,000, above which we reported errors to the Audit Panel in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the group's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation. • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates. • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen. <p>Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • Worked with management to understand the implications of the response to the Covid-19 pandemic on the Council's ability to prepare the financial statements including updating financial forecasts and assessment of the implications for our materiality calculations. • Liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. • Evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic. • Evaluated whether sufficient audit evidence could be obtained through remote technology. • Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates. • Evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. • Discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. 	<p>The Council's property valuation specialists reported that valuations of land and buildings were subject to 'material valuation uncertainty' as at 31 March 2020, as a result of the impact of the Covid-19 pandemic on market activity in the real estate sector, meaning that less certainty, and a higher degree of caution, should be placed on the recorded valuation of these assets than would otherwise be the case.</p> <p>In addition, the fund managers for the Pension Fund's pooled property, Infrastructure, Private Equity and Private Debt investments declared material valuation uncertainties around the valuation of these investments. This impacts upon the valuation of the net defined benefit liability in the Council's balance sheet.</p> <p>Management have disclosed these uncertainties in Note 4 to the Council's financial statements. These disclosures were referred to in our auditor's report in emphasis of matter paragraphs. These references do not constitute qualifications of the audit opinions.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£2.5 billion) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2020.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. • Engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • Tested revaluations made during the year to see if they had been input correctly into the Council's asset register. • Assessed the value of a sample of assets in relation to market rates for comparable properties. • Tested a sample of beacon properties in respect of council dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group. 	<p>As discussed under 'Covid-19' above, the Council's property valuation specialists reported that valuations of land and buildings and council dwellings were subject to 'material valuation uncertainty' as at 31 March 2020, as a result of the impact of the Covid-19 pandemic on market activity in the real estate sector, meaning that less certainty and a higher degree of caution should be placed on the recorded valuation of these assets than would otherwise be the case. Management have disclosed this uncertainty in Note 4 to the financial statements. This disclosure was referred to in our auditor's report in an emphasis of matter paragraph. This does not constitute a qualification of the audit opinion.</p> <p>The Council had not obtained a year end valuation for all its surplus assets as required by International Financial Reporting Standards. The Council has since obtained a valuation for the assets that had not been revalued. The financial statements were updated for these revised revaluations.</p> <p>Our testing of the floor area data used in the valuation of the 3 modern schools identified a variance between the floor areas used for these schools as per the valuer workbooks and the floor plans. This error resulted in an overall reduction of the valuations of £11.5m.</p> <p>We also identified the following other amendments in land and buildings revaluations:</p> <ul style="list-style-type: none"> • Lee Green Depot valuation of £1.3m was omitted from the valuation report • Wearside Depot: the valuation of £188,420 per the accounts should have been £1,888,420 • Three school blocks of a combined value of £1.5m had not been included within the revaluation report.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of net pension liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£752 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. Assessed the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud and Guaranteed Minimum Pension cases. Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. Obtained assurances from our audit of the Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 	<p>As discussed under 'Covid-19' above, the fund managers for the Pension Fund's pooled property, Infrastructure, Private Equity and Private Debt investments reported that valuations of these investments were subject to 'material valuation uncertainty' as at 31 March 2020, as a result of the impact of the Covid-19 pandemic, meaning that less certainty, and a higher degree of caution, should be placed on the recorded valuation of these assets than would otherwise be the case.</p> <p>As 82% of the Pension Fund's assets are attributable to the Council as the administering authority for the Fund, this material uncertainty impacts in turn upon the valuation of the net defined benefit liability in the Council's balance sheet.</p> <p>Management have disclosed this uncertainty in Note 4 to the financial statements. This disclosure was referred to in our auditor's report in an emphasis of matter paragraph. This does not constitute a qualification of the audit opinion.</p> <p>The pension disclosures within the financial statements were prepared using the actuary estimate of the 31 March 2020 investment balances. Due to Covid-19, there was a significant difference between the estimated value of the investment balances and subsequent actual assets. The Council obtained an updated IAS19 report from their actuary to reflect the year end actual balances. The assets had decreased by £7.4m. The Council has amended the financial statements.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal 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>In particular journals, management estimates and transactions outside the course of business are areas susceptible to management override.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determine the criteria for selecting high risk unusual journals. • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>We have not identified any material issues from our work.</p>

Audit of the Financial Statements for Pension Fund

Pension Fund Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation. Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation, and the reliability of evidence we can obtain to corroborate management estimates. For instruments classified as fair value through profit and loss there may be a need to review the Level 1-3 classification of the instruments if trading may have reduced to such an extent that quoted prices are not readily and regularly available and therefore do not represent actual and regularly occurring market transactions. Whilst the nature of the Fund and its funding position (i.e. not in a winding up position or no cessation event) means the going concern basis of preparation remains appropriate management may need to consider whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. 	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> Worked with management to understand the implications the response to the Covid-19 pandemic had on the pension fund's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. The draft financial statements were provided on 30 June 2020. Evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic. Evaluated whether sufficient audit evidence could be obtained through remote technology. Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as the investment valuations. Evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. Discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. 	<p>Our audit opinion was unqualified including an Emphasis of Matter paragraph, highlighting the material uncertainties caused by Covid-19 disclosed by the Pension Fund Investment Managers in their valuation of Private Equity, Infrastructure and Property investments.</p> <p>The Emphasis of Matter is not a modified or qualified opinion and emphasises for readers of the accounts the Pension Fund Accounting policy Note X where the Pension Fund has disclosed more details on the uncertainty.</p>

Audit of the Financial Statements Pension Fund

Pension Fund Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of level 3 investments</p> <p>The Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£119 million) and the sensitivity of this estimate to changes in key assumptions</p> <p>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>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2020.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • Gained an understanding of the Fund's process for valuing level 3 investments and evaluated 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 investment. • Obtained audited financial statements for all the Harbourvest Private Equity Funds (December 2019) and JP Morgan Infrastructure Fund (December 2019) and compared the audited fund valuation with the Fund Manager capital statements at the same period. We checked any cash movements between December 2019 and March 2020. • Considered the competence, expertise and objectivity of any management experts used. • Verified the investment balances to the fund manager and custodian reports. 	<p>Our audit opinion was unqualified including an Emphasis of Matter paragraph, highlighting the material uncertainties caused by Covid-19 disclosed by the Pension Fund Investment Managers in their valuation of Private Equity, Infrastructure and Property investments.</p> <p>The Emphasis of Matter is not a modified or qualified opinion and will just point readers of the accounts to the Pension Fund Accounting policy Note W where the Pension Fund has disclosed more details on the uncertainty.</p> <p>Subsequent to receipt of the draft financial statements, the Fund Manager Harbourvest provided updated 31 March 2020 capital statements which take into consideration impact on Covid 19. The valuations of the Harbourvest investments has fallen by £2,059k. The Fund has agreed to make the appropriate adjustment.</p>

Audit of the Financial Statements Pension Fund

Pension Fund Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal 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>In particular journals, management estimates and transactions outside the course of business are areas susceptible to management override.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determine the criteria for selecting high risk unusual journals. • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>We did not identify any material issues from our work.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 26 November 2020.

Preparation of the financial statements

The group presented us with draft financial statements at the end of June 2020 in advance of the amended timeframe. We are pleased to report that there has been an improvement in the timeliness responses to audit queries and requests for additional information this year despite the challenges of remote working.

We continue to identify a number of presentational amendments to the financial statements, which had not been identified and corrected by Management's review of the accounts prior to their submission for audit. We recommended a strengthening of this process to identify and correct such misstatements and enhance the quality of the financial statements submitted for audit in future years.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the group's Audit Panel on 4 November 2020. The key issues were as follows:

- We identified weaknesses in the Council's expenditure cut off arrangements which resulted in expenditure that related to the 2019-20 year being incorrectly coded to the 2020-21 year. This means the Council's expenditure for 2019/20 is potentially understated. Our combined extrapolation of our cut off findings amounted to £6.6m.
- The Council had not revalued all of its surplus assets as required by the accounting standards.
- The floor areas used in the valuation of 3 schools were incorrect, which led to a decrease in the valuation of these buildings by £11.5m.
- The Council's pension fund IAS19 valuation of investment assets had to be updated due to the impact of Covid-19 reducing year end asset valuations.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the draft Statement of Accounts in July 2020.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of London Borough of Lewisham on 26 November 2020. We also reported the key issues from our audit of the pension fund accounts to the Council's Audit Panel on 4 November 2020.

Subsequent to receipt of the draft financial statements, the Fund Manager Harbourvest provided updated 31 March 2020 capital statements which take into consideration impact on Covid 19. The valuations of the Harbourvest investments had fallen by £2,059k from the balance disclosed in the draft financial statements. Management adjusted the pension fund financial statements.

Whole of Government Accounts (WGA)

We are still undertaking our work on the Council's Whole of Government Accounts.

Certificate of closure of the audit

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we have certified completion of the prior year audits (certificates were previously held open due to prior year objections which have now been determined) and completed our work on the Whole of government Accounts return.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in November 2020, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Budget Management</p> <p>You are currently projecting a £5.4m overspend on the 2019/20 budget. There remain significant pressures in Children & Young Peoples and the Housing, Regeneration and Environment directorates. The anticipated overspend will increase the pressure into 2020/21.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> • Reviewed the Council's in year budget monitoring and outturn reports. • Reviewed the Council's 2020-21 budget. • Reviewed the Council's updated Medium Term Financial Plans. • Reviewed the Council's Covid-19 returns to central government. 	<p>During 2019/20 the Council issued instructions to budget managers that re-affirmed the importance of controlling expenditure and delivering the Council's budget. Monitoring reports throughout the year forecast an overspent position. The final net revenue overspend of £5.9m is consistent with that being reported throughout the year. The impact of Covid-19 on the revenue outturn for 2019/20 was minimal due to the pandemic arising within the final few weeks of the period. However, the impact on the 2020/21 budget is significant in respect of increased expenditure and loss of income. The pandemic may also have a significant impact on the Council's ability to realise planned savings, efficiency programmes and service transformation within planned timeframes.</p> <p>The overspend of £5.9m is an improvement in the financial position delivered in 2017/18 and 2018/19, demonstrating that the Council has made some progress in controlling budgets. However, this is the third successive year in that the main element of the overspend has been expenditure on children's social care (£4.3m overspend). The Council is continuing to work at identifying and implementing plans to manage overspending in this area, but this has not been sufficient to balance the budget for 2019-20.</p> <p>As the position is improved on previous years and the Council has a good understanding of the reasons for overspends which are mainly in the demand led service of Children's services we do not propose an unqualified opinion. The Children services does not have any inadequate inspections from OSTED and is on an upward trajectory.</p>

Value for Money conclusion

Value for Money Risks - continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Medium Term Financial Planning</p> <p>In the context of future funding uncertainty arising from the fairer funding review and longer term settlement decisions, combined with the reduction in your overall General Fund reserves (including earmarked) over recent years, in Spring 2020 you identified that you would be required to find £40m of savings in the three years to 2023/24 to maintain financial balance.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> • Reviewed the Council's 2020-21 budget. • Reviewed the Council's stabilisation budget. • Reviewed the Council's updated Medium Term Financial Plans. • Reviewed the Council's Covid-19 returns to central government. • Reviewed the Council's most recent budget monitoring reports. • Compared the Council's levels of reserves with other London Boroughs. 	<p>The financial outlook for the Council remains challenging. During 2019/20 and in the period since the year-end, officers have put in place arrangements to ensure that risks and uncertainties are given due consideration in short and medium-term financial planning and the impact is effectively modelled to the best of their ability, drawing on external support where knowledge gaps or wider unknowns are identified.</p> <p>The outturn position for 2019/20 is in line with expectations. Management have an understanding of the key drivers for income and expenditure relating to core services and their ability to understand the impact of decisions taken is improving. The Council has sufficient resources in place to meet the expected shortfalls in income and increases in expenditure for 2020/21 arising from the Covid-19 pandemic. The Council is not facing the kinds of immediately challenging decisions to stop delivering services or consider Section 114 notices which comparable local authorities may face.</p> <p>In the medium term, the picture remains far more uncertain as the longer-lasting impact of the pandemic on the economy, in the context of wider financial risks beyond the control of officers or members, remains a significant unknown. Management is conscious of the need to remain responsive to emerging circumstances, whilst keeping sight of longer term strategic goals which underpin future investment decisions from use of reserves.</p>

Value for Money conclusion

Value for Money Risks - continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Cultural change</p> <p>The new Chief Executive has spent her first few months listening to staff across the Council and has identified communication, IT, Inclusivity, People and Leadership as key areas of improvement for the Council. The Change Network has been tasked to develop the detail of programmes identifying "quick wins" and working up projects that will strengthen these key areas across the Council. Finally, the Council are currently in the process of realigning the directorate structure to better reflect future service delivery models</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> • Held discussions with senior officers. • Reviewed Chief Executive staff briefings. • Reviewed the communication of the Council's priorities. 	<p>The Council have consulted with staff and Members and are implementing the building blocks to assist with enhancing their culture and providing the time and space to enable collaboration, creativity and ideas that will assist with transforming services. At the end of the year the Council have made structural changes in the leadership model to help to tackle key issues. This will help the Council to modernise and to deliver key objectives within the corporate strategy. The Council have been on the front line in responding to the challenges created by Covid-19. This has, not surprisingly, been the main focus over the last few months. It will be important to ensure that momentum is maintained throughout the pandemic so that the quick wins are implemented and structures and governance arrangements are finalised that will help to modernise the Council. It is important that the Council continue to communicate progress to staff and key stakeholders so that they can see that their ideas and plans are being actioned and are making a difference to service delivery.</p>

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	March 2020
Audit Findings Report	November 2020
Annual Audit Letter	December 2020

Fees

	Scale Fee	Agreed Planned Fee £	Agreed Actual fees £
Statutory audit	148,789	182,789	210,189
Audit of Pension Fund	16,170	25,000	28,750
Total fees	164,959	207,789	238,939

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of 164,959 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work.

We have been discussing the issue of the 'cost of Covid' with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

Fee variations have been agreed with management, but are subject to PSAA approval.

A. Reports issued and fees

Fee variation for the Council		
Area	Reason	Fee Agreed
Raising the bar increased challenge and reduction in materiality.	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. For major audits, we have also reduced the materiality level, reflecting the higher profile of local audit. This will entail increased scoping and sampling.	£11,500
Pensions – IAS 19	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.	£4,000
PPE Valuation – work of experts	We have engaged our own audit expert – (Gerald Eve) and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. We estimate that the cost of the auditors expert will be in the region of £5,000. The 2019/20 year also included detailed work on beacons.	£9,500
New standards /developments and requirement for group accounts	Additional work will be required for disclosures required in 2019/20 under IAS8 plus the audit of the group accounts which is not included within the scale fee.	£5,000
Audit Delays	Delays in our work caused by the Council having to obtain a further IAS19 revaluation and a further valuation of surplus assets. There were also several adjustments though the statements which took additional time to test.	£4,000
Additional Covid costs 15%	<p>The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:</p> <ul style="list-style-type: none"> Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming. 	£27,400
Total		£61,400

A. Reports issued and fees continued

Fee variation for the Pension Fund

Area	Reason	Fee Agreed
Raising the bar increased challenge	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.	£5,000
Valuation of Level 3 Investments	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.	£3,830
Additional Covid costs 15%	<p>The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:</p> <ul style="list-style-type: none"> • Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. • Management's assumptions and estimates - there is increased uncertainty over many estimates including investment valuations. We have include an Emphasis of Matter in the Audit Report in respect of the material uncertainty on property values. • Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working. 	£3,750
Total		£12,580

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A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services	
- Teachers Pension Return	£6,500
- Pooling of Housing Capital Receipts	TBC
- Housing benefits subsidy claim	TBC
Non-Audit related services	
- None	

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor.



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26 January 2021

Background to the report and FRC findings

On 30 October 2020, the FRC published its first annual report setting out the findings of its review of the work of local auditors for the 2018/19 audit year. The report summarises the results of the FRC's inspections of fifteen audit files, across eight audit firms, for financial year 2018/19. A link to the report is [here](#).

The FRC review covers the financial statements and Value for Money (VfM) work at major audits (broadly those with income or expenditure above £500m per annum). Non major audits have been reviewed by the Quality Assurance Department of the ICAEW (the QAD), and the results of these reviews are also summarised in the FRC report. This audit would fall into the definition of major local audit (FRC)

The FRC's key findings include the following:

- The standard of Value for Money work across all firms is high
- The standard of non-major audit inspections completed by the QAD is also high. These results were excellent, with 6 out of 7 files assessed as requiring no or only limited improvements
- For the major audit inspections, firms need to demonstrate a greater degree of challenge and scepticism, especially around the critical judgements and assumptions in respect of complex estimates, including asset valuations, which the FRC states is important because it *"provides a measure of the governance and management of property assets and enables effective medium term property decisions to be made for the benefit of stakeholders."*

The FRC reviewed six Grant Thornton files as part of its inspection, which was more than any other firm, due to the market share of our firm. The inspectors assessed one file as requiring limited improvements, and five of the six as requiring improvements. In each of the five cases where improvement was required, the FRC has highlighted the valuation of PPE as being the major area needing increased audit focus. No areas were assessed as 'significant improvements required'.

How we are responding to the FRC findings

The firm has responded in full to the FRC findings and our response has been published as part of the FRC report. The following are the key points to highlight for your attention:

- Grant Thornton is absolutely committed to audit quality and we welcome the review performed by the FRC (along with comparable reviews performed by the ICAEW, Audit Scotland and Audit Wales) on our work.

- The FRC reviewed 6 VfM files. We are delighted to note that all of these required no more than only limited improvements. The review feedback which we received from the QAD was similarly impressive. These are excellent results, and we are proud of the work we have delivered. Like Sir Tony Redmond, we believe that strong VfM work is at the heart of good local audit. We take VfM work seriously, invest time and resources in getting it right, and are not afraid to give difficult messages. In the last year alone, we have issued two Reports in the Public Interest at major audits as well as numerous Statutory Recommendations and Adverse VfM Conclusions. The inspection results, which the FRC have not included in this element of their report, illustrate how strong we are at VfM. With the new Code coming into effect for 2020/21, we have already updated and revised our approach and have trained all our people in the new approach already.
- In terms of our work on the financial statements inspected by the FRC at major local audits, and in particular in respect of, eg, asset valuations, we recognise that we need to make improvements and are investing heavily to do so. We are also very mindful, when performing our work, that local authority auditors have different roles and responsibilities to commercial auditors, and that users of the local authority financial statements have different priorities from corporate shareholders.
- Regarding our work on asset valuations, we are aware that the sector has raised the over-auditing of asset valuations (also known as Property, Plant and Equipment (PPE)) as a concern, as highlighted by Sir Tony Redmond. The FRC has given its view as our formal regulator, and we are required to abide by this. We therefore take those findings very seriously. Indeed, we have already undertaken extensive work over the past eighteen months to respond to previous comments made by the FRC and to implement our Quality Investment Plan in 2019, with a further update in 2020. This includes the fundamental reengineering of our approach to the audit of PPE, the increased use of auditor's experts for valuations, and an enhanced programme of training, guidance and support for our teams, all of which the FRC have been fully briefed on. It was not possible to have all of these changes fully in place for the 2018/19 financial year (which is the year of review in the FRC report) but arrangements were in place for 2019/20. We will continue to drive further improvement as part of our ongoing commitment to quality and to address the FRC findings, which will require further audit work and challenge in this area.

Notwithstanding the above, we note the comments of Sir Tony Redmond in his recent inspection that where statutory adjustments apply, then *'these valuations have no immediate impact on the cost of delivering services or on the financial resilience of a local authority.'* We will work with CIPFA to help it develop alternative ways that local authority accounts can be presented.

Excluding PPE related findings, there were five other areas in which key findings were identified across six financial statements reviews at major local audited bodies. The FRC has also highlighted EQCR, fraud risk factors and completeness of expenditure as its other key findings.

Completeness and accuracy of expenditure was raised by the FRC on two audits and fraud risks raised on three audits. A common issue in each case was that the auditor needed to evidence better their risk assessment and conclusions. In respect of fraud the FRC highlighted the need to improve on the sufficiency of testing including sample sizes. For expenditure, the FRC highlighted the need to disaggregate debits and credits and ensure the completeness of the populations. We are addressing all these points in our ongoing training.

We will continue to develop and improve our audit approach and provide appropriate training for the other areas identified by the FRC in this year's inspections. We currently apply Root Cause analysis to all internal and external files that require significant improvement. We ensure that we respond to any underlying issues in a systematic manner, through our Quality Investment Plan. We also undertake a Root Cause review on all of our QAD reviews. These results were excellent, with 6 out of 7 files assessed as requiring no or limited improvements. We will be keen to capture the learning from these including what went well and how we can build on this further.

Conclusions

Quality continues to be at the forefront of our agenda. We are proud of the work we have delivered on VfM and our QAD findings at non-major bodies and will look to build on our track record for VFM work with the introduction of the new NAO Code. In terms of the financial statements inspection findings at major local audits, we will focus on driving through the changes which we consider are most fundamental to deliver better audit quality. We take the findings of inspectorates seriously, and the further investments we are making, including around additional work on PPE valuation, are an indicator of that. You will have already seen the results of this in 2019/20 and should notice further challenge, scepticism and even stronger audit quality as we undertake our 2020/21 audit.

Grant Thornton

Agenda Item 4



Audit Panel

Report title: 2020/21 Internal Audit Progress Update

Date: 11 February 2021

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors: Director of Corporate Resources

Outline and recommendations

This report provides a progress update on delivery of the internal audit plan for 2020/21 as well as planning for 2021/22 audit work.

In addition, managers' progress with making control improvements are presented in relation to:

- Implementation of agreed recommendations from completed internal audits; and
- Improving control of the service areas that were identified by internal audit work during 2019/20 as having 'Limited' assurance or where an audit opinion could not be provided.

Members are asked to note the progress of internal audit work presented in this report.

Summary

Background

- 1.1. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual opinion on the Council's arrangements for governance, risk management and internal control, based upon audit work performed during the year. The audit plan for 2020/21 was approved by Audit Panel on 30 September 2020, and formed the basis for internal audit work since then.
- 1.2. The Internal Audit Annual Assurance report for 2019/20 presented managers' progress with the implementation of internal audit recommendations and identified a number of service areas where the overall assurance was assessed as 'Limited' or where an opinion could not be provided. The Assurance report was discussed by members of the Audit Panel on 30 September 2020 and an update on improvements within service areas was provided on 4 November 2020.

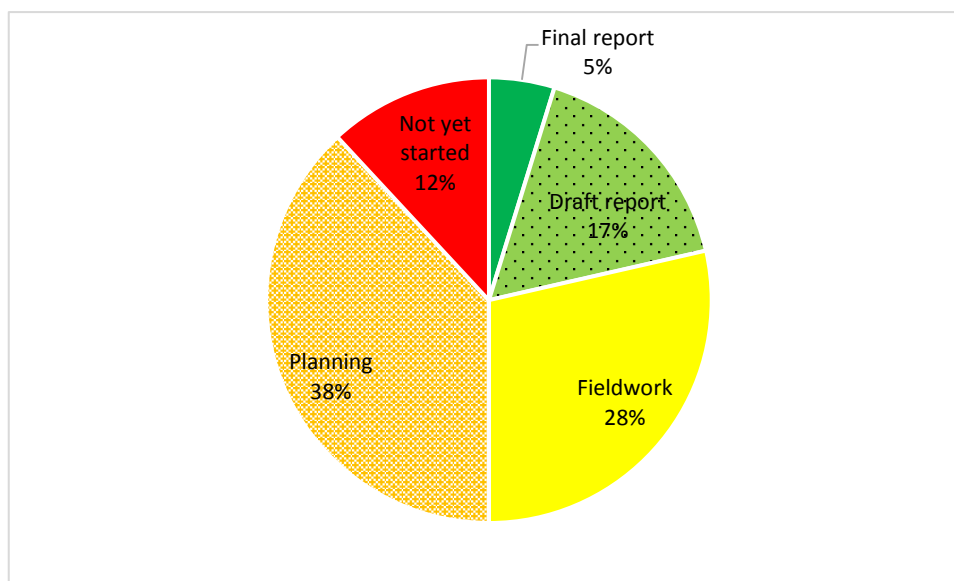
Introduction

- 1.3. Internal audit work is undertaken to evaluate governance, risk management and control processes using a systematic and disciplined approach. The plan of internal audit work for 2020/21 was agreed by the Audit Panel on 30 September 2020 for delivery from September until March 2021. This report provides an update on progress with delivery of the agreed plan in the period to 31 January 2021.
- 1.4. Whilst it is management's responsibility to develop and maintain a sound system of internal control, and to prevent and detect irregularities, the overall aim of internal audit work is to identify areas requiring improvement and recommend solutions that will enable the Council to better achieve its objectives. An objective overall opinion is assigned to each audited area, based on the number and risk profile of the findings identified, classified in terms of one of four categories of assurance. Definitions of risk ratings and assurance opinions are provided in Annex 1. With the full implementation of all recommended actions, mitigation of the potential risks identified by the audit can be expected. Therefore, the audit process contributes to the continuous improvement of the Council's governance, risk management and internal control arrangements.
- 1.5. The work completed by Internal Audit during 2019/20 was summarised in an Annual Assurance Report, which was presented to Audit Panel on 30 September 2020. Members raised a number of concerns about the details reported. In particular:
 - 1.5.1 By the date of the annual report, managers had fully implemented 56% of corporate audit recommendations that were due to be implemented by 31 March 2020, including 54% of those rated with High-risk category.
 - 1.5.2 A summary of audits undertaken on key financial processes within the Council highlighted services where audit assurances were Limited or where no opinion could be given. Progress relating to the following audits was presented to the November 2020 Audit Panel:
 - Accounts Receivable and Debt Recovery (Limited assurance)
 - Client Contributions for Care Provision (Limited assurance)
 - Payments to Childcare Providers and Foster Carers for Looked After Children (Unable to provide an opinion)
- 1.6. It was also reported that Internal Audit was unable to provide an opinion for an audit of Banking. This subject area is currently being re-audited and it is anticipated that the outcome will be reported in the Internal Audit Progress Update to the March 2021 Audit Panel.
- 1.7. This report presents an update on managers' progress with implementation of audit recommendations as well as further progress relating to the service areas covered by the audits listed above.

Internal Audit progress with delivery of the 2020/21 audit plan

- 1.8. The following chart summarises progress against the 2020/21 internal audit plan as at 31 January 2021. This shows that 88% of planned audits have commenced, with 21% having reached draft/final report stage.

Chart 1: Delivery status of the Internal Audit Plan for 2020/21



1.9 Further progress details are provided in Annex 2, which shows the delivery status for all planned audits. Internal Audit aims to deliver 90% of planned audits (adjusted for in-year changes) to draft report stage by 31 March. Due to the Covid pandemic, which is adding to the work pressures and childcare commitments of key contacts as well as the audit team, there is a risk that this may not be achieved. However, we are hopeful that there should be no more than one month's delay.

1.10 Since Members approved the audit plan in September 2020, the following changes and substitutions have been made to the plan:

Table 1: Changes to the 2020/21 audit plan

Dir	Audit	Change	Reason
HRPR	COVID-19: Death Management and Registration Services	Cancelled	Additional COVID pressures on service
COM	MASH - Adults	Deferred	MASH team not yet in place
CEX	Transition Plans	Deferred	Deferred for consideration in 20/21
CEX	Consultation Processes	Deferred	Deferred for consideration in 20/21
COM	Arranging Care Team	Deferred	Deferred as a separate review of adult social care is being undertaken
COM	Leisure Management	Deferred	Deferred until contractual arrangements are stabilised.
HRPR	Passenger Transport - Finance Management	Additional	Requested by management
COM	Domiciliary Care - Block Contract Payments	Additional	Requested by management
HRPR	Highways Contract Payments	Additional	Requested by management
HRPR	Refugee Resettlement Programme - Contract Management	Additional	Audit of contract management split
CEX	Covid – Community testing grant usage	Additional	Declaration of grant usage return to DHSC required Head of Audit sign-off
COR	IT audit – Smart Tech roll-out project	N/a	Allocation of IT audit days
COR	IT audit – LiquidLogic / Controcc project	Additional	Allocation of IT audit days
COR	IT audit – Remote working	Additional	Allocation of IT audit days
COR	IT audit - Oracle Payroll / HR Post Implementation Review	Additional	Allocation of IT audit days

1.11 Two audits that have been completed in the period, the outcomes for which are presented in the following table:

Table 2 – 2020/21 audits completed within the period

Dir	Audit	Assurance	Recommendations			
			High	Medium	Low	Total
COR	Tendering and Procurement of Contracts	Satisfactory	-	5	2	7
HRP	Refugee Resettlement Programme - Contract Management	Satisfactory	2	1	2	5

Managers’ progress with implementation of audit recommendations

- 1.12 To provide assurance that the Council’s control framework is being improved, Internal Audit tracks managers’ progress with the implementation of audit recommendations.
- 1.13 Since September 2020, Internal Audit has tracked implementation of 256 corporate and 38 school actions that have reached their agreed target dates. As at 31 January 2021, 74% of the corporate actions have been self-assessed as implemented or no longer applicable, with a further 12% in progress. This is a significant improvement on the status reported in September 2020, when 56% of actions were reported as completed. In addition, 63% of High-rated actions assigned to schools have been assessed as completed. Status is summarised in the following charts, which show corporate and schools’ progress (chart 2), followed by directorate analysis for corporate actions (chart 3) and analysis of all high-rated actions (chart 4).

Chart 2: Overall progress with implementing agreed IA actions

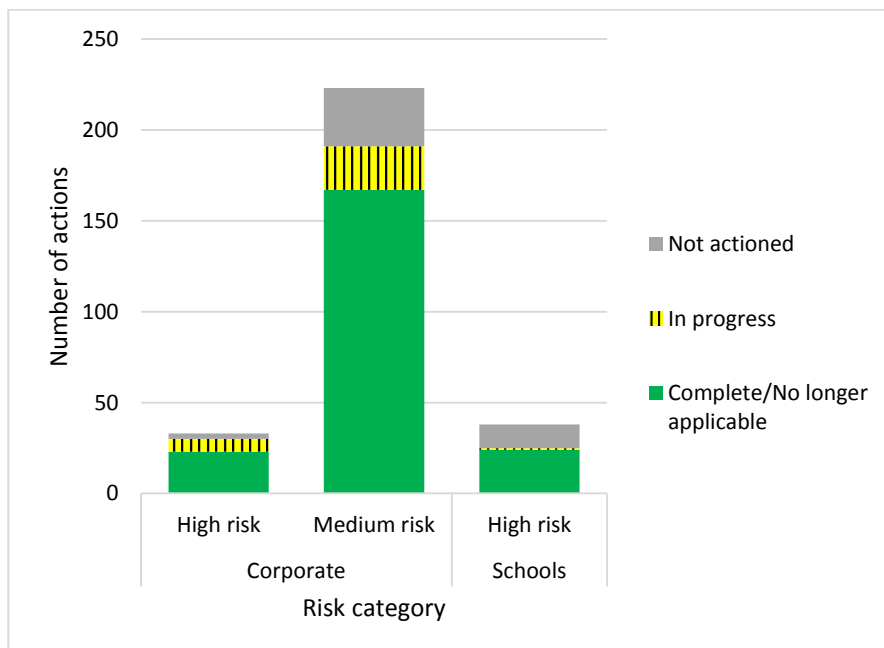


Chart 3: Directorates' progress with implementing agreed IA actions

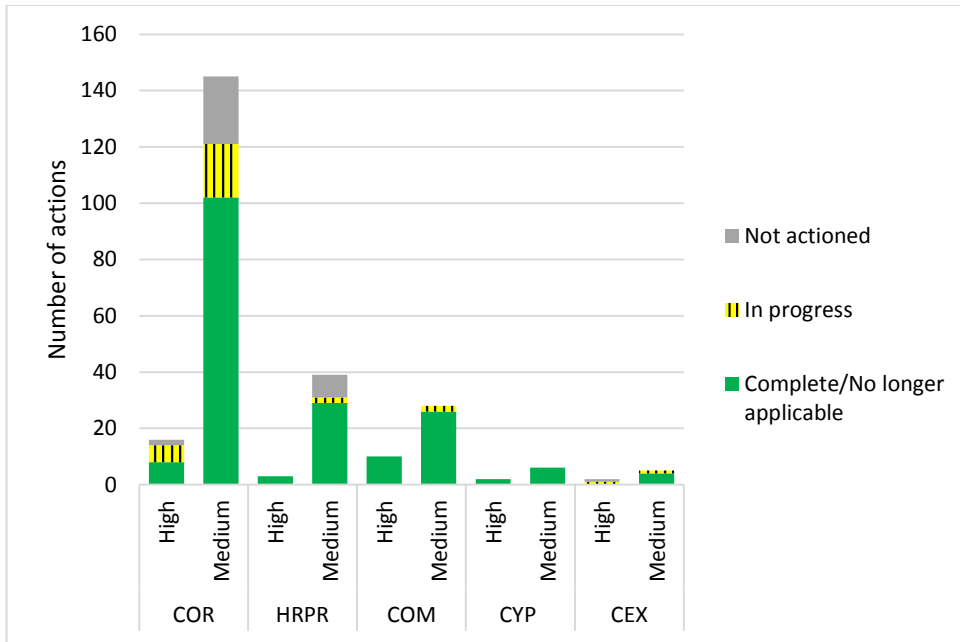
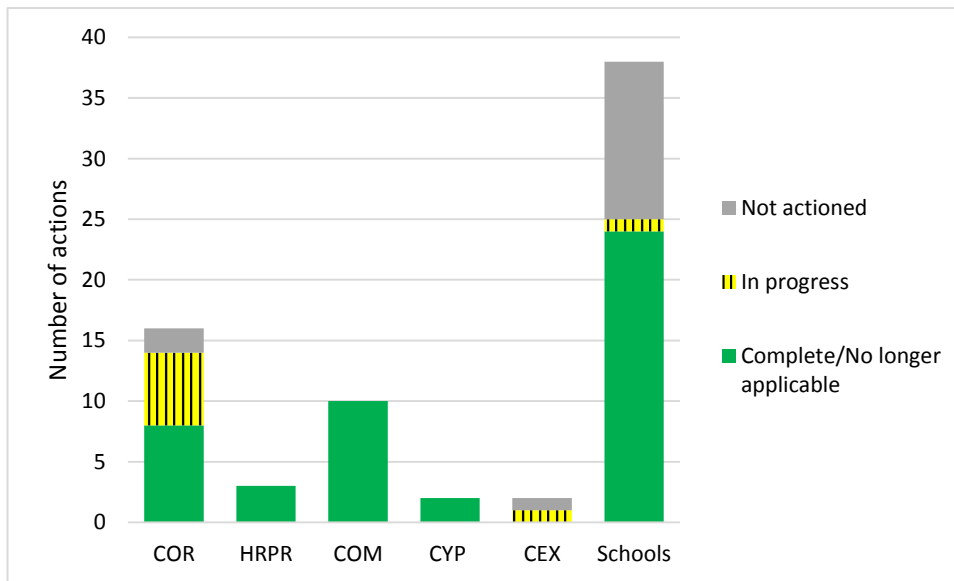


Chart 4: Progress with High risk actions



1.14 16 of the High risk actions are reported as 'not actioned', 13 of which relate to four schools that did not provide a response to the request for a progress update. These schools were:

- Ashmead Primary School (3 actions)
- Deptford Park Primary School (1 action)
- Forster Park Primary School (4 actions)
- Marvels Lane Primary School (5 actions)

1.15 Details of the corporate High risk actions that are assessed as not actioned or in progress are as follows:

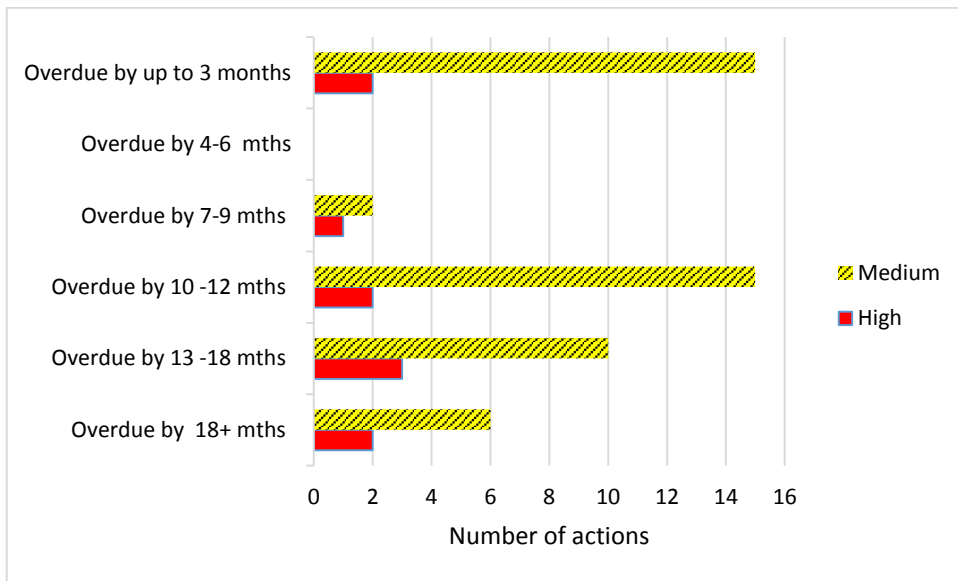
Table 3: High-risk actions assessed as 'not actioned' or 'in progress'

Dir	Audit Title	Management Action	Original / Revised Due Date	Status / action owner update
COR	Asset Management 19-20	02.1 The contract for the provision of asset valuations will be re-procured. If required, assistance will be sought from the Procurement Team.	31/03/2020	Not actioned Acting Group Finance Manager, Core Accounting
COR	Banking 18-19	04.1 A daily income reconciliation which shows a breakdown of the exception items will be undertaken.	31/01/2020	Not actioned Acting Group Finance Manager, Core Accounting
CEX	Apprenticeship Levy Spend including Professional Qualifications 18-19	01.1b A documented strategy for the Apprenticeship Levy, including schools and the Council will be developed. This will include input from key stakeholders from across the Council and will take into consideration workforce requirements. The appropriate approval will be obtained.	30/04/2020	Not actioned Schools' HR Business Manager
COR	Payroll 19-20	07.1 The Payroll Team will ensure that the correct pension contribution is deducted from teachers' salaries. The Payroll Team will run regular checks to identify and rectify potential errors.	30/11/2020	In progress - Payroll Manager (20/01/2021): Payroll officers check the percentage rate against the employee salary by using the tiers table provided by teacher's pension. The payroll manager checks the percentage rates each month when running the payment report for teacher's pensions contributions deducted each month
COR	Payroll 19-20	08.1 Discrepancies identified as a result of the monthly Payroll reconciliation to the General Ledger will be evidenced as investigated by the Payroll Team. The outcome of the investigation will then be communicated to the reconciler.	30/11/2020	In progress - Payroll Manager (20/01/2021): All discrepancies are reconciled by payroll and the necessary adjustments made to the employee pay details, all adjustments are communicated to the reconciler
COR	Oracle Cloud - Migration 17-18	Management should establish a formalised data migration strategy across the entire project to provide guidance on complex processes such as data mapping, cleansing, testing, issue management/escalation and staff roles and responsibilities for such areas	31/07/2018 31/01/2020	In progress - Director of Financial Services IA comment: Follow up completed. Confirmed not implemented. Reopened and due date changed to 31/01/20 to allow for full implementation
COR	Oracle Cloud - Migration 17-18	Oracle Cloud should enforce that only staff of similar grades or upwards can undertake the work of a fellow officer whilst on vacation. In addition, all delegated vacation roles should be set to have an end date or an automatic default date of 30 day	31/08/2018 31/12/2018	In progress - Director of Financial Services A comment: Follow up completed. Confirmed in progress.
COR	Oracle Cloud - Migration 17-18	The complexity and detail of audit trails should be decided and implemented as soon as possible	31/10/2018 31/01/2020	In progress - Director of Financial Services IA comment: Follow up completed. Confirmed not completed.
COR	Synergy Application	Management should establish if there is a reconciliation between Synergy and Oracle, are done. They should also establish if they are done monthly and are accurate. Where it is	31/08/2018 31/12/2018	In progress - Finance Manager (16/11/2018): Not aware of Synergy system usage and therefore need for reconciliations

Dir	Audit Title	Management Action	Original / Revised Due Date	Status / action owner update
		found that reconciliations are not done, management should ensure that they are conducted monthly, in a timely manner, and any discrepancies investigated		
CEX	Apprenticeship Levy Spend including Professional Qualifications	03.2 A communications plan will be developed to help make schools aware of the scheme.	30/11/2018 30/05/2020	In progress - Schools HR Business Partner (28/01/2021): This is still 'in action'. Pandemic issues have given other priorities, however, schools have taken the opportunity to consider apprenticeships and uptake continues.

1.16 As at 31 January, 58 open actions had passed their target dates but had not been fully implemented (including 10 categorised as high risk). The age profile and risk categories of these actions is summarised in the following chart:

Chart 5: Age profile of outstanding open actions



1.17 The chart shows that there are 23 actions, which are more than 12 months overdue, five of which are rated as high risk. Details of these actions can be seen in Table 3.

1.18 The process for tracking of open management actions has been strengthened by monthly reporting of progress to Executive Directors, so that management teams can review progress. In addition, to assist managers in keeping up with their actions, monthly reminders are sent to action owners who have outstanding and upcoming actions. Progress is also reinforced by attendance at Directorate and Executive Management Team meetings on a quarterly basis. Executive Directors have been reminded that accountable managers may be asked to attend the Audit Panel meeting to provide verbal progress updates and answer Members' questions.

Managers' progress with improving services since Limited assurance audits were completed

- 1.19 Managers responsible for actions arising from three audits that were assessed with Limited assurance, or where no assurance could be provided during 2019/20, have provided assessments regarding their progress with implementing improvements. The Executive Summary from the report for each of these audits is provided in Annexes 3 - 5 Managers' self-assessments for the High and Medium category actions are summarised below:

Table 5: Accounts Receivable and Debt Recovery 2019/20 – Status of Management Action

Rec No.	Recommendation Heading	Category	Status	Original due date	Revised due date	Owner
1	Raising Invoices - Raising and Processing Credit Notes*	Medium	Implemented	31/12/2020		
2	Raising Invoices - Raising and Processing Invoice Requests*	Medium	In Progress	31/12/2020	28/02/2021	Financial Transaction Manager
4	Income and Debt Recovery - Recovery Action*	High	In Progress	31/12/2020	01/02/2021	Enforcement Manager
5	Income and Debt Recovery - Housing Benefit Debt Recovery	Medium	In Progress	31/12/2020	01/02/2021	Debt Collection Manager
6	Income and Debt Recovery - Instalment Arrangements Sundry Debt*	Medium	Implemented	31/12/2020		
8	Write-Offs - Write Off Documentation*	Medium	Implemented	31/12/2020		
9	Reconciliation's - Accounts Receivable and Refunds*	Medium	In Progress	31/12/2020	31/01/2021	Group Finance Manager – Core
10	Performance Monitoring - Debtor Indicators*	Medium	Implemented	31/12/2020		

*indicates recurring recommendation.

- 1.20 This table shows that progress has been made towards implementing all eight of the agreed actions, with four (50%) fully implemented.

Table 6: Client contributions for care provision 2019/20 – Status of Management Action

Rec No.	Recommendation Heading	Category	Status	Original Due Date	Revised Due Date	Owner
1	Carrying Out a Financial Assessment - Value of the Upper Capital Limit For Non-Residential Service Users	High	In Progress	30/09/2020	31/03/2021	Director of Operations, Adult Social Care
2	Carrying Out a Financial Assessment - Prior to the Start of Care and Charging Start Date*	Medium	In Progress	31/12/2020	31/03/2021	Adult Social Care Service Manager
4	Issuing of Invoices - Adjusting Invoice Amounts	High	In Progress	31/07/2020	31/03/2021	Adult Social Care Service Manager
5	Issuing of Invoices – Changes in Financial Circumstances*	High	Implemented			
6	Issuing of Invoices – Adjusting Invoices for Service Breaks	Medium	In Progress	31/12/2020	31/03/2021	Adult Social Care Service Manager
7	Issuing of Invoices – Reconciliation Between the Source Data and the General Ledger	Medium	Not actioned	31/03/2021		Group Finance Manager – Community Services
8	Deferred Payment Agreements (DPAs) - Disposable Income Allowance and Invoicing on the Correct Account	High	Implemented			

Rec No.	Recommendation Heading	Category	Status	Original Due Date	Revised Due Date	Owner
9	DPAs - Six-Monthly Written Statements and Interest*	High	In progress	31/08/2020	31/03/2021	Debt Collection Team Leader
10	DPAs - Calculation of Equity Limit and Monitoring of DPA Balances*	Medium	In progress	31/08/2020	31/03/2021	Debt Collection Team Leader
11	DPAs - Timely set-up of DPA	Medium	Implemented	30/09/2020		
12	DPAs - Administration Charges*	Medium	No longer applicable	31/08/2020		

*indicates recurring recommendation.

- 1.21 This table shows that, for ten actions where the agreed target dates have passed, progress has been made towards implementing six of the actions, with four (40%) assessed as fully implemented or no longer applicable.

Table 7: Payments to Childcare Providers and Foster Carers for Looked After Children 2019/20 – Status of Management Action

Rec No.	Recommendation Heading	Category	Status	Original Due Date	Revised Due Date	Owner
1	Assessments and placements – policies and procedures	High	In Progress	31/01/2021	28/02/2021	Director of Children's Social Care
2	Assessments and placements – Placement information record*	High	Implemented	31/01/2021		
3	Assessments and placements – Individual placement contract and placement plan	High	Implemented	31/01/2021		

*indicates recurring recommendation.

- 1.22 This table shows that progress has been made towards implementing all three of the recommendations, with two (66%) fully implemented.
- 1.23 Audits of the three subject areas are currently being planned, to be undertaken during the last quarter of 2020/21.

Internal audit planning for 2021/22

- 1.24 Planning of internal audit work for 2021/22 is underway. The planning approach is designed to achieve coverage over a reasonable period of time, of the Council's main risks and core processes where there is a reasonable expectation of detecting significant control weakness and fraud. The starting point has been a review of the strategic and directorate risk registers and discussion of potential audits with senior management teams. This should enable assurance to be provided towards the directorates' management of significant risks. The external auditors have also been consulted.

2.1. Recommendations

It is recommended that the Audit Panel notes the progress reported by managers with implementing improvements to control arrangements for the service areas in scope.

2.2. Financial implications

There are no financial implications arising directly from this report.

2.3. Legal implications

There are no legal implications arising directly from this report.

2.4. Equalities implications

There are no equalities implications arising directly from this report.

2.5. Climate change and environmental implications

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

2.6. Crime and disorder implications

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

2.7. Health and wellbeing implications

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

2.8. Background papers

There are no background papers.

2.9. Glossary

Term	Definition
Assurance Opinion	An independent assessment on the controls in place.
Recommendation	A suggestion made by internal audit on how to improve controls.
Management Action	The actions that management have agreed to do to implement the recommendation made by internal audit.
Control	A process that is in place to facilitate achievement of an objective or to prevent or reduce a risk from occurring.

2.10. Report author and contact

If there are any queries on this report, please contact: Christine Webster, Interim Head of Internal Audit, on 0202 8314 5617 or David Austin, Director of Corporate Resources, on 020 8314 9114, or email them at: christine.webster@lewisham.gov.uk or david.austin@lewisham.gov.uk.

Annex 1- Definitions for Audit Assurance Opinions

Where internal audit reviews are given an overall assurance opinion, this is based on the fieldwork conducted to assess the standard of governance, risk management or internal control. The following table explains these opinions.

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

Definitions of Finding Categories

Internal audit rates each finding as High, Medium or Low. This rating reflects the risk exposure for the service area and indicates the importance of implementing the recommendation.

Rating	Definition
High	It is crucial that this recommendation is implemented as soon as possible. This will ensure that the service area will significantly reduce the 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.

Annex 2 – Delivery status for 2020/21 planned audits

Dir	Audit	Planning	Fieldwork	Reporting	Finalising
CEX	44 - COVID 19 - Governance Arrangements				
CEX	99 - Supporting Families Grant Certification				
COM	43 - Violence against Women and Girls - Contract Monitoring				
COM	47 - Domiciliary Care Block Contract Payments				
COR	18 - Relief and Support Allocation - Covid 19				
COR	23 - School Finance				
COR	27 - Tendering and Procurement of Contracts				
COR	05 - Budget Monitoring for CYP and COM				
COR	03 - Asset Management 20-21				
COR	04 - Banking 20-21				
COR	02 - Accounts Receivable and Debt Recovery 20-21				
COR	06 - Business Rates 20-21				
COR	09 - Council Tax 20-21				
COR	11 - Housing Benefit and Council Tax Reduction Scheme				
COR	15 - Payroll 20-21				
COR	17 - Treasury Management 20-21				
COR	01 - Accounts Payable (Key Control only) 20-21				
COR	16 - Pensions 20-21				
COR	30 - Risk Management Framework				
COR	12 - Main Accounting 20-21				
COR	25 - VAT				
COR	36 - Smart tech roll out project				
COR	37 - Project - liquid logic / Controcc				
COR	39 - Post Implementation Review of Oracle HR / Payroll				
COR	40 -Remote Working				
COR	41 - IT Audit Needs Assessment				
CYP	35 - Schools Websites				

Dir	Audit	Planning	Fieldwork	Reporting	Finalising
CYP	21 - HR Policies				
CYP	33 - Section 17 - Financial Assistance Payments				
CYP	14 - Payments to Childcare Providers				
CYP	20 - Children Social Care (CSC) Improvement Progress				
CYP	46 - Passenger Transport - Financial Management				
CYP	31 - Early Help Service Transformation				
HRPR	26 - Building for Lewisham				
HRPR	34 - Refugee Resettlement Programme - Contract Management				
HRPR	28 - Housing of Multiple Occupation (HMO) - Licensing and Enforcement				
HRPR	07 - Capital Expenditure 20-21				
HRPR	48 - Highways Contracts				
HRPR	32 - Rough Sleeping Initiative Funding				
HRPR	08 - Private Sector Housing - Leasing				

Annex 3

Accounts Receivable and Debt Recovery 19-20

Final Report

Corporate Services (COR)

Overall Audit Opinion - Limited

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

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

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

1. Background

The background for this internal audit and the service objectives were included in the Terms of Reference. Testing of write-offs, including review of the documentation and confirmation of authorisation could not be completed. This is due to Covid 19 lockdown restrictions which meant officers were not able to access the documentation kept in the office.

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

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

- Delays in recovery action including sending reminder letters within the required timeframes as per the Debtors Procedure Manual.

- The Accounts Receivable and Accounts Receivable Refunds Reconciliation had not always been completed and authorised within a timely manner. There were also items of income that had not been cleared and on-going discrepancies that had not been resolved.

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

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

2. Assurance Opinion and Recommendations Made

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

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

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

- 2 High recommendations, of these 2 were made in the previous report,
- 6 Medium Recommendations, of these 5 were made in the previous report, and
- 2 Low Recommendations.

3. Key Findings *indicates reoccurring recommendation

- *Debt recovery action including sending reminder letters was not done in a timely manner and further debt recovery action had not been done.
- *The Accounts Receivable and Accounts Receivable Refunds Reconciliation had not always been completed promptly (within three weeks of month end) and had not always been authorised in a timely manner. Items on the Accounts Receivable Refunds reconciliation had not been resolved. There were discrepancies between the Accounts Receivable report and General Ledger report in the Accounts Receivable Reconciliation that were not resolved.
- *Debtor KPIs were not being reported as part of the Corporate Services Performance Report.
- *In one case the credit note request had not been processed in a timely manner. In one case the request had been processed without the request form completed. In two cases a reason for the credit note and a record of authorisation of the credit note was not recorded.

- *In one case the invoice request had not been processed in a timely manner and time scales for processing invoice requests had not been agreed. There was also one invoice request form that had not been processed in a timely manner.
- *Internal Audit requested evidence confirming authorisation for a sample of five write-offs. However, these were not kept electronically. Therefore, the documentation could not be provided Due to Covid 19 lockdown restrictions, and write off controls could not be fully reviewed.
- *There were four debts where a default on an instalment arrangement had occurred and further investigation was needed but not actioned. In addition, the Financial Information Form had not been completed in one case where it was required.
- Out of a sample of five Housing Benefit Debt Recovery cases, it was found that two cases debt recovery action had not been taken. In one case this was due to an issue with the migration to ASH where a number of invoices had not been migrated.

4. Areas that worked well

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

Annex 4

Client Contributions for Care Provision 2019/20

Final Report

Corporate Services (COR)

Overall Audit Opinion - Limited

	Process Areas	High	Medium	Low
★	7. Service Users' With Care Packages and Their Eligibility	0	0	0
●	8. Carrying Out Financial Assessments	1	1	1
▲	9. Issuing of Invoices	2	2	0
★	10. Annual Uplifts	0	0	0
▲	11. Deferred Payment Scheme (DPA) and Top-Up Payment Agreement	2	3	1
★	12. Information Security and Business Continuity Planning	0	0	0
Total		5	6	2

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

1. Introduction

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

Basis of Opinion

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

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

Audit testing also established inconsistencies in the value of the upper capital limit in the charging policy. In addition, financial assessments for non-residential service users' took place after they started receiving care.

2. Assurance Opinion and Recommendations Made

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

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

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

- 5 High recommendations (of these 2 were raised in the previous audit report),
- 6 Medium Recommendations (of these 3 were raised in the previous audit report), and
- 2 Low Recommendations.

3. Key Findings *indicates reoccurring recommendation

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

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

4. Areas that worked well

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

Annex 5

Payments to Childcare Providers and Foster Carers for Looked After Children – 2019/20

Final Report

Children and Young People (CYP)

Overall Opinion – Unable to Provide an Opinion.

	Process Areas	High	Medium	Low
▲	1. Assessments and Placement	2	1	-
	2. Payments to Residential and Semi-Residential Care Providers	-	-	-
	3. Payments to In-House Foster Carers and Independent Fostering Agency's	-	-	-
	4. Budgetary Control	-	-	-
●	5. Information Security	-	-	-
	Total	2	1	0

Key ● Substantial ● Satisfactory ▲ Limited ■ No Assurance

1. Introduction

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

This audit was conducted remotely in order to comply with Government lockdown directives. Confirmation of controls in place was established through telephone, email and virtual communications. Compliance testing was expected to be achieved through Council staff providing documentation in respect specific samples as requested.

2. Assurance Opinion and Recommendations Made

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

Internal audit have not been able to express an assurance opinion in this audit as we have not been able to obtain sufficient evidence to provide a basis for an audit opinion.

The key controls have been confirmed with management, however, internal audit have been unable to obtain evidence and/or perform testing to confirm the effectiveness of all controls. The work we have not been able to conduct, and the reasons, is detailed below.

Payments to Residential and Semi-Residential Care Providers - Other than the payment exception report that was received on 30th July 2020, no other information has been provided. No controls testing has therefore been completed in this area.

Payments to In-House Foster Carers and Independent Fostering Agencies - Information has been requested but not provided, therefore controls testing has not been performed.

Budgetary Control - Information has been requested but not provided, controls testing has not been undertaken.

Information Security – Access control to the Liquidlogic Children's Social Care (LCS) and ECM systems was confirmed and tested but we have not received the requested report of

staff who have completed the Council's mandatory data protection course in order to confirm the training has been completed by all relevant staff.

Based on the work we have been able to complete, the number of recommendations made, listed by categories are listed below:

- High Recommendations (one reoccurring)
- 1 Medium Recommendations;
- 0 Low Recommendations

3. Key Findings *indicates recurring recommendation

- Documented procedures for placement and procurement processes were not in place.
- * Sample testing of 20 placements identified three instances where the Placement Information Record (PIR) could not be found in the LCS and five instances where the placement authorisation was not recorded in LCS; and
- Sample testing of 20 placements identified sixteen instances where a Placement Plan (PP) or Individual Placement Contract (IPC) had not been signed by the provider.

4. Areas that worked well

- A Placement Tracker was being used to monitor placement activity and track expenditure made for weekly placement cost. The tracker was being constantly checked for errors and updated each week by Placement Contract Manager and Business Support Team.
- Child Social Care (CSC) managers completed and authorised Access Request forms for the creation within the LCS system of a new starter. Periodic active user review for LCS was carried out by the Business Support Team and managers to ensure the access of leavers and movers is removed from the system.

AUDIT PANEL		
Report Title	Exclusion of the Press and Public	
Key Decision	No	Item No. 5
Ward		
Contributors	Chief Executive (Head of Business & Committee)	
Class	Part 1	Date: 11 February 2021

Recommendation

It is recommended that in accordance with Regulation 4(2)(b) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information)(England) Regulations 2012 and under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12(A) of the Act, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

6.3- Corporate Risky Register, SECURITY REPORT

Agenda Item 6



Audit Panel

Report title: Risk Management Update

Date: February 2021

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: David Austin, Director of Corporate Resources, Karen Eaton, Group Manager, Insurance and Risk

Outline and recommendations

1. The purpose of this report is to update members of the Audit Panel on the Council's Strategic Risks, as detailed in the Strategic Risk Register, for the quarter ending 31 December 2020.
2. Audit Panel are recommended to
 - (i) note this report

1. Recommendations

- 1.1 The Audit Panel are recommended to:
 - (i) note this report

2. Policy Context

- 2.1 The contents of this report are consistent with the Council's policy framework. It supports the priorities set out in the Corporate Strategy 2018-2022:

- Open Lewisham
- Tackling the housing crisis
- Giving children and young people the best start in life
- Building an inclusive local economy
- Delivering and defending: health, social care and support
- Making Lewisham greener
- Building safer communities

2.2 It supports all of the Council's priorities generally through effective risk management for all of its activities and duties.

3. **Background**

3.1 Risk is identified and managed in accordance with the Council's Risk Management Strategy. The Risk Management Strategy was previously reported to Audit Panel in September 2020. As previously reported, the Strategy falls due for review/refresh this year and future arrangements are currently under consideration by EMT.

3.2 In anticipation of the outcome of the review, it has been agreed that the Internal Control Board (ICB), to whom risk was previously reported, would be disbanded following its meeting in February 2020 and risk would be reported to EMT and Audit Panel from the next quarter.

3.3 This reports summarises the risks identified as at the end of December 2020.

4. **Summary of Strategic Risk Changes this quarter**

4.1 There is one new risk from the register previously considered by the Audit Panel and none for deletion in the Strategic Register. The narrative and actions have been updated throughout the register, as detailed in the change log.

4.2 There are no score changes in the Strategic register this quarter.

4.3 The key risks anticipated for the next 12 months are recorded in the Strategic Register and key risks are shown in the table below in order of the current risk ranking.

Key Risks	Ref	Title	Current	Target	Change
Red-Red High Risk and big variance current to target	1.A.1	Info Governance Failure	16	8	None
	2.A.1	Internal Control	16	8	None
	2.B.2	Cyber Security	15	5	None
	5.A.1	Un-balanced budget	25	4	None

Key Risks	Ref	Title	Current	Target	Change
Amber-Red Medium Risk and big variance current to target	1.A.2	Implement service changes	12	4	None
	1.B.1	Health & Safety	12	6	None
	1.B.2	Legislative change	12	5	None
	1.B.4	Poor Air Quality	12	6	None
	2.B.1	ICT infrastructure	12	5	None
	3.B.1	Ineffective partnership working	8	4	None
	3.B.2	Integrated models for health & care	12	4	None
	4.A.1	Strategic supplies/procurement	12	6	None
	4.B.1	Performance failure	12	4	None
	5.A.2	Unforeseen expenditure	12	6	None
Red-Amber	2.A.3	Delivery of strategic change	15	10	None
Red-Green High Risk with minor variance to target	2.A.2	Failure in Child Safeguarding	25	20	None
	2.A.5	Serious Adult Safeguarding Concern	20	20	None
	5.B.2	Failure to contain impacts of Covid-19	20	16	+16(new)

5. Completion of Planned Actions

5.1 All actions in the Strategic Register are either completed or progressing satisfactorily in accordance with expected timescales, with the exception of those listed below where the dates have slipped or been extended largely due to the diversion of resources as a result of COVID-19.

1.A.1 Decommission old servers slipped from March 20 to March 21

2.A.2 Child Safeguarding Workforce development Strategy, Supervision Policy and CSE Strategy slipped from September 20 to April 2021

2.A.4 Elections – canvas update slipped from Feb 20

2.B.1 Telephony review slipped from March 20 to March 21

2.B.2 Implementation of recs from IT security audit – slipped from Sept 19 to Dec 20. Shared service to develop and test disaster recovery plan slipped from March to Dec 2020. Cyber response. Policy slipped from Sept to Dec 20. This is now subject to a paper to EMT in early 21.

5.A.3 Debt recovery – ASC charging review slipped from April to Dec 20 and while now in progress there is a further delay to the LAC / Controcc system upgrade work to Apr 21.

6. Horizon Scan – Future Risks

6.1 The following circumstances, identified through the PESTLE framework, may impact on the Council in the near future. Audit Panel will wish to assure themselves that there have been no changes in circumstances that would lead them to recommend that these risks should be added to the strategic risk register now or change an existing risk.

Political

- Integration of elements of the Health system – including commissioning.
- Changes to funding flows in respect of NNDR and CTax Benefit.
- Loss of Business Rates income from appeals &/or proposals to devolve to local level.
- Trend to free schools and academies and falling rolls.
- Governance and operational impact of Devolution agenda for London on Lewisham priorities and services.

Economic

- Continuing austerity measures restricting work of local government.
- Catford and Lewisham regeneration/development, including Bakerloo line, new build priorities, organisation of housing service providers.
- Impact of migration on demand for services (short and medium term).
- Consequence of Brexit.
- Changes to National Funding Formula for schools and falling rolls.
- Recession and contraction of the economy as a result of the COVID-19. Pandemic.

Social

- Resourcing (skills) mix and staff churn from reorganisation changes.
- 2021 Census outcomes and predicted demographic changes.
- Consequence of Brexit.
- Consequence of COVID-19 and widening inequalities.
- Estate rationalisation and impact on ways of working.

Technological

- IT and digital strategy and fit for purpose systems to support changing ways of working.

- Impact of Universal Credit, Welfare Reform and Public Services legislation.

Legislation

- Scale and pace of statutory/legislative changes, e.g. Social Care changes.
- Flood and Water Management Act.

Environment

- Carbon Reduction Commitment.

7. Summary & Conclusions

- 7.1 The Council manages risk in accordance with its Risk Management Strategy 2017 – 2020. The risk registers have been reviewed for the period ending 31 December 2020 and the Strategic Risk Register has been updated to reflect the current assessment of risk to the Council.
- 7.2 The register was reviewed and approved at EMT at its meeting on 3 February 2021 and is appended to this report at Appendix A.
- 7.3 There has been one new risk added since the June register to ensure alignment with the corporate response to Covid-19. There are no other score changes or risk deletions this quarter.
- 7.5 The Risk Management Strategy will be updated during 2020/21, resources permitting.

8. Financial Implications

- 8.1 There are no direct financial implications arising from this report. However, this report advises on the identification and management of risk with the objective of aiding management of those risks and thereby reducing unanticipated financial pressures.

9. Equalities Implications

- 9.1 There are none arising directly from this report.
- 9.2 The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.

- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between people who share a protected characteristic and those who do not.

It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed above.

The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. Members must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance>

10. Legal Implications

10.1 The Authority has a duty to safeguard Council services and assets and seeks to meet that duty by having appropriate risk management arrangements in place.

10.2 The Audit & Accounts Regulations 2015 places a responsibility on relevant authorities to ensure that it has a sound system of internal control which:

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

10.3 The Council's Risk Management Strategy 2017-2020 aims to ensure that the Council's arrangements reflect the current best management practice as detailed in *the Management of Risk in Government Framework* and the *HM Treasury Orange Book – Management of Risk – Principles and Concepts* and is compliant with the statutory requirements as defined in the Audit & Accounts Regulations 2015.

11. Climate change and environmental implications

11.1 There are none arising directly from this report however the impact of climate change (e.g. air quality, extreme weather, flooding, compliance with new requirements/standards for service delivery) is included in the Strategic Risk Register as a risk that is currently rated as amber.

12. Crime and disorder implications

12.1 There are none arising directly from this report however some of the risks recorded within the Strategic Risk Register have crime and disorder implications (e.g. 3.B.1 Multi-agency Governance).

13. Health and wellbeing implications

13.1 There are none arising directly from this report however some of the risks recorded within the Strategic Risk Register have health and wellbeing implications (e.g. Multi-agency Governance, Failure to agree with partners integrated delivery models for local health and care services) and others could impact indirectly.

Report Author

If there are any queries on this report, please contact Karen Eaton, Group Manager, Insurance & Risk, on extension 46849, 2nd floor, Town Hall Chambers.

Strategic Risk Register – December 2020

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Ref	Risk Category – levels 1 & 2		Lead	RAG	Change / Comment
1	COMPLY WITH THE LAW				
1A	Governance	1. Information Governance Failure	CR	R	Actions updated
		2. Governance failings implementing service changes	CEO	A	Actions updated
1B	Regulatory	1. Non-Compliance with Health & Safety	CEO	A	Actions updated
		2. Respond to legislative change	CEO	A	
		3. High levels of poor Air Quality – Renamed Impact of Climate Change	COM	A	Actions updated
2	SECURE SERVICES TO USERS				
2A	Process	1. Adequacy of Internal Control	CR	R	Actions updated
		2. Failure in Child Safeguarding	CYP	R	Actions updated
		3. Non-delivery of transformational change	CEO	R	Actions updated
		4. Elections not conducted efficiently or effectively	CEO	G	
		5. Serious Adult Safeguarding concerns	COM	R	Narrative updated
2B	Technology	1. ICT not fit for purpose/does not meet business needs	CR	A	Actions updated
		2. Cyber Security breaches corrupt or locks down systems or data	CR	R	Actions updated
3	DEVELOP STAFF & PARTNERS				
3A	Workforce	1. Loss of constructive relations	CEO	A	
		2. Maintain sufficient management capacity & capability	CEO	A	
3B	Partnerships	1. Multi-agency governance leads to ineffective partnership working	CEO	A	
		2. Agree integrated delivery models for local health and care services	COM	A	Narrative updated
4	SERVICES REPRESENT VFM				
4A	Procurement	1. Failure to manage suppliers and procurement programmes.	CR	A	

Strategic Risk Register – December 2020

Ref	Risk Category – levels 1 & 2	Lead	RAG	Change / Comment	
4B	Performance 1. Failure to manage performance leads to service failure	CEO	A		
5	MANAGE WITHIN BUDGET				
5A	Financial	1. Financial failure unable to maintain delivery within balanced budget	CR	R	Actions updated
		2. Unforeseen expenditure/loss of income from funding streams	CR	A	Actions updated
		3. Loss of income - debt collection	CR	A	Actions updated
5B	Bus. Continuity 1. Failure to contain impacts of emergency	CR	A	Narrative updated	
	Covid 2. Contain the impacts of Covid-19 and deliver services	CR	R	Actions updated	
6	OTHER				
6	Brexit 1. Risk of disruption to Council services and impact on residents/businesses	CR	A	Narrative updated	

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Key

Scoring

5x5 Likelihood and Impact with 1 Low and 5 High. See Risk Management Strategy for guidance on assessing impact and likelihood

RAG rating

- △ Red
- Amber
- ★ Green

Direction of Travel

- ↗ Better
- Same
- ↘ Worse

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
1. Comply with the Law: A. Governance											
1.A.1	Information Governance failure	△	16	8	△	➔	Executive Director for Corporate Resources	<ul style="list-style-type: none"> Established policy framework Information Governance Board in place Information asset and security environment audits undertaken Staff training modules developed Regular EMT briefings Review of FOI, SARS and Complaints team set up PSN and PCI compliant 	<ul style="list-style-type: none"> Roll out mandatory online information governance and security training for all staff Decommission old server environment Implement audit control recommendations Review assessment of Cyber Security risk and actions required 	<p>Commenced Jan 20. Currently paused</p> <p>Mar 20 – progressing but completion slipped</p> <p>Ongoing – next milestone Feb 21</p> <p>Feb 21</p>	Good governance and effective operational performance
	Impact		4	4							
	Likelihood		4	2							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
1. Comply with the Law: A. Governance											
1.A.2	Governance (opportunities and threats) in the implementation of service changes	●	12	8	●	➔	Chief Executive	<ul style="list-style-type: none"> Corporate Strategy to 2022 adopted Member and Director finance training delivered and additional budget sessions and officer training on equalities. This will continue Transition planning has commenced Design and communication of approach to service redesign and change work for 2021 – LA MTFS – preparation of 2021/22 Budget. 	<ul style="list-style-type: none"> Implementation of 20/21 service changes in line with Budget to live within financial limits. Corporate priorities being reviewed in light of COVID-19. Transition planning and stabilisation post Covid 	<p>Done Dec 20 Next milestone – set up PMO Mar 21</p> <p>Phase 1 completed June 20. Phase 2 July to Dec 20. Phase 3 onwards – depends on lock-downs</p>	Good governance and effective operational performance
	Impact		4	4							
	Likelihood		3	2							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
1. Comply with the Law: B. Regulatory											
1.B.1	Non-compliance with Health & Safety Legislation	●	12	6	△	➔	Chief Executive	<ul style="list-style-type: none"> • Corporate H&S manual. • Regular prog. of audits reported to H&S Cttee • Directorate H&S Working Group meets quarterly with representation from across all divisions and reports to Unions • Full H&S programme of training available. • H&S guidance is updated and staff briefed when working practices change • Monitor OH referrals • All DMTs reviewed annual self-assessments, incidents and audits • Review approach to tree risk assessments and related work programme 	<ul style="list-style-type: none"> • Undertake a review of how H&S is currently managed and recruit and adjust accordingly, This will cover: <ul style="list-style-type: none"> - Operational - Assets (inc PO Handbook) - Staff welfare • H&S Board monitoring progress with fire risk works and statutory & planned building maintenance works • Reviewing revisions to service H&S risks for assessments impact of Covid risks 	Apr 20 Slipped to Sept 20 due to Covid 19. Completed. Next review as part of service planning 2021. Quarterly For the duration of the Covid response	Good governance and effective operational performance
	Impact		4	3							
	Likelihood		3	2							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
1. Comply with the Law: B. Regulatory											
1.B.2	Failure to anticipate and respond appropriately to legislative change	●	12	5	△	➔	Chief Executive	<ul style="list-style-type: none"> Engaged with relevant professional bodies and government departments Established a Brexit working group with regular reporting to EMT in weeks preceeding exit deadline dates Training & communications 	<ul style="list-style-type: none"> Reports to Council on changes necessary to reflect Legislation. Responding to Govt consultations and lobbying in various areas of political change (e.g. CSR, FFR, NNDR, DSG, Social Care etc Brexit Risk Assessments to be informed by preparations for and experience of post transition Monitor developments in respect of social care, welfare reform, housing, etc.. in particular as they arise from government announcements 	Quarterly for CWP As Dictated Gov't agenda Next milestone Gvt consultation Feb 2021 On-going. Currently reporting to EMT monthly. Ongoing	Good governance and effective operational performance
	Impact		4	5							
	Likelihood		3	1							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
1. Comply with the Law: B. Regulatory											
1.B.3	Impact of climate change (e.g. air quality, extreme weather, flooding, compliance with new requirements/standards for service delivery).	●	12	6	△	➔	Executive Director for Community Services	<ul style="list-style-type: none"> Climate Emergency Strategic Action Plan agreed by Mayor and Cabinet in March 2020 Continuing to work with Air Quality Management Area Plan and London, National and European strategies to improve Air Quality. Traffic reduction pilot in place in Lee and Hither Green Lewisham Climate Emergency Public Forum Strategic Air Quality Board quarterly. 	<ul style="list-style-type: none"> Action Plan to be reviewed annually by Sustainable Development and M&C Lobbying Government and other for resources to deliver on the Climate Emergency Action Plan Develop strategy and supporting plans to work towards climate emergency targets LEZ fleet procurement strategy – refuse and transport cuts Annual Air Quality report completed for submission 	Nov 20 / Feb 21 Ongoing Reviewed quarterly at Air Quality Board Done – next milestone Apr 21 March 21	Making Lewisham Greener
	Impact		4	3							
	Likelihood		3	2							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
2. Secure Services to Users: A. Process											
2.A.1	Adequacy of Internal Control Framework	△	16	8	△	➔	Executive Director for Corporate Resources	<ul style="list-style-type: none"> Internal audit, risk & anti-fraud work – Anti-fraud, Anti-money laundering, whistle blowing policies and hot lines in place Annual National Fraud Initiative (NFI) & data matching Coordination/ joint working with central Govt. agencies (DWP, HMRC, BA), LH and other local housing providers. Quarterly reports to Exec Directors, ICB, Audit Panel monitoring trends & progress Implemented various phases of Oracle project - Finance, PBCS, payroll and self-service live. 	<ul style="list-style-type: none"> Next phase to get wider business improvements from Oracle to realise benefits of investment Improvement plan for Liquid Logic (LAS/LCS and Controc) system and processes for CSC and ASC, aligned with service operating models and procedures. Internal Audit focussed on core financial audits Counter fraud work focused on Covid grant assurance and data matching 	<p>Phase 2 – Jun 20 (slipped for payroll) Done Next milestone HR PID Sept 20 Work is in progress, due to Covid – next update Feb 21</p> <p>Next milestone Apr 21 – LAS live</p> <p>Apr 2021</p> <p>Next milestone Apr 21</p>	Good governance and effective operational performance
	Impact		4	4							
	Likelihood		4	2							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
2. Secure Services to Users: A. Process											
2.A.2	Failure in Child Safeguarding	△	25	20	★	➔	Executive Director Children & Young People	<ul style="list-style-type: none"> All cases risk assessed at lockdown Thresholds for access to services restricted to minimum statutory requirements LCS system redesigned to improve recording and management oversight Virtual visiting introduced Operational procedures revised Weekly critical safety panel created to review performance Quality assurance and performance framework in place to monitor practice. 	<ul style="list-style-type: none"> Improvement Programme 2018/19 - 2021/22 to drive up quality of practice to be consistently good. Strengthen quality assurance and performance framework Workforce Development strategy under development to strengthen recruitment, retention and training permanent workforce Re-launch of supervision policy to strengthen risk management Child Exploitation Strategy under development in the Safeguarding Partnership to manage risk to young people in the community Corporate Parenting strategy under development to develop services for children in care and care leavers 	April 2022 Through 2020/21 Sept 2020 Slipped to launch in Feb 2021 Sept 2020 Slipped to launch in Feb 21 Sept 2020 Slipped to April 2021 Dec 2020 Slipped to April 2021	<i>Giving children and young people the best start in life</i>
	Impact		5	5							
	Likelihood		5	4							

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Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
2. Secure Services to Users: A. Process											
2.A.3	Strategic programme to develop and implement transformation change does not deliver	△	15	10	●	→	Assistant Chief Exec	<ul style="list-style-type: none"> Assistant Chief Executive appointed Change and improvement board arrangements in place 	<ul style="list-style-type: none"> Review and improve change strategy in line with Corporate Priority objectives. Directorate PMO support is being put in place initially to support delivery of cuts. EMT strategic change board in place and three work strands to monitor delivery of cuts and change projects agreed 	Reviewed and agreed at EMT Done Dec 20 Next milestone re budget delivery Apr 21	Good governance and effective operational performance
	Impact		5	5							
	Likelihood		3	2							

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
2.A.4	Elections not conducted efficiently or effectively	★	5	4	★	➔	Returning Officer	•	<ul style="list-style-type: none"> Undertake delayed Canvas update Implement Boundary Commission changes once confirmed Prepare for London Mayoral Election in May 21 	TBC Slipped from Feb 20 TBC in 2021 May 21	Good governance and effective operational performance
	Impact		5	4							
	Likelihood		1	1							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
2. Secure Services to Users: A. Process											
2.A.5	Serious Adult Safeguarding Concerns	△	20	20	★	➔	Executive Director for Community Services	<ul style="list-style-type: none"> Regular reports to the LSAB. Case audits by management. Monitoring through Performance DMT. 	<ul style="list-style-type: none"> Safeguarding processes are being reviewed throughout operational and provider services and partner organisations. Safeguarding performance is scrutinised by the LSAB and DMT. Cases that meet the threshold for a statutory safeguarding audit review are referred to the Safeguarding adult review board that meets monthly. Deprivation of Liberty Safeguards applications continue to rise. To mitigate the risk of legal challenge for unauthorised detentions community DOLS are being processed on time and COP applications made. New system Liberty Protection safeguards will be implemented in April 2022 now that government legal sign off process has been completed. 	<p>Oct 20 slipped to Jan 2021</p> <p>Monthly DMT monitoring.</p> <p>LSAB meets quarterly and SAR meets monthly. Monthly QA sessions in place to monitor practice trends and quality provision.</p> <p>Monthly reviews to monitor practice trends</p> <p>April 2022</p> <p>Quarterly</p>	<i>Delivering and defending health, social care, and support</i>

Strategic Risk Register – December 2020

									<ul style="list-style-type: none"> • Task and Finish Group in place to monitor all actions from DHR's • These are reviewed at Safeguarding Boards and Safer Lewisham Partnership • 1 x new DHR's has begun. 	Reviewed in March annually	
	Impact		5	5							
	Likelihood		4	4							

	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
	Secure Services to Users: B.										
	Technology										
108	2.B.2 Cyber Security breaches corrupt or locks down Council systems or data.	△	15	5	△	➔	Executive Director for Corporate Resources	<ul style="list-style-type: none"> • External independent reviews of security arrangements and practices • Documented systems to support PSN compliance • Reviewed assessment of Cyber Security risk and actions required 	<ul style="list-style-type: none"> • Plan for implementation of recommendations from IT security audit concluded in June • Shared service to develop and test disaster recovery plan • Gain approval for formal cyber response policy • Evaluate options for cyber insurance 	Ongoing to Mar 21 (slipped Sept 19) Mar 21 (slipped from March 20) EMT in Feb 21 Mar 21	Building Safer Communities
	Impact		5	5							
	Likelihood		3	1							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
3. Develop Staff and Partners: A. Workforce											
3.A.1	Loss of constructive employee relations	●	9	8	★	➔	Chief Executive	<ul style="list-style-type: none"> Refreshed people management framework Continued employee assistance programme Extended Union engagement Launched Pulse surveys 	<ul style="list-style-type: none"> Continue to run regular Pulse surveys 	Ongoing	<i>Building an inclusive local economy</i>
	Impact		3	4							
	Likelihood		3	2							

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Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
3. Develop Staff and Partners: A. Workforce											
3.A.2	Failure to maintain sufficient management capacity & capability to deliver business as usual and implement transformation changes	●	12	9	★	➔	Chief Executive	<ul style="list-style-type: none"> All EMT posts now recruited to Restructure of director level posts 	<ul style="list-style-type: none"> Complete directorate service changes and recruit as appropriate Additional spend and recruit controls may adversely impact on this risk Emerging signs of exhaustion in workforce from sustained Covid response – reviewing recruitment and HR/welfare support in place 	Done Dec 20 Ongoing Next review Mar 21 Ongoing Next update Apr 21	<i>Good governance and effective operational performance</i> <i>Tackling the housing crisis</i>
	Impact		4	3							
	Likelihood		3	3							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
3. Develop Staff and Partners: B. Partnerships											
3.B.1	Multi-agency governance leads to ineffective partnership working -Housing -Police - VSec -Business -Schools (See also 3.B.2 Health)	●	8	4	●	➔	Chief Executive	<ul style="list-style-type: none"> Regular meetings in place between Superintendent Partnership and Director of Communities, Partnerships and Leisure.. Similar liaison being put into place for MPS and LFB to ensure ongoing dialogue to capture any future changes. Regular meetings with Borough Commander, Mayor, Cllr Dacres and Chief Executive in place. 	<ul style="list-style-type: none"> Review need for a new Community Strategy for Lewisham to be aligned with Covid 19 work Review of changes to Police/CRC + NPS/Fire Engage proactively with the new Borough Commander on plans to increase community scrutiny of stop and search and wider Policy activity Parks team working closely with enforcement services and Police to monitor and respond to ASB. 	ongoing Sept 20 slipped to Jan 21 Response to initial action plan by August 2021 Ongoing	<i>Building safer communities</i>
	Impact		4	4							
	Likelihood		2	1							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
		3. Develop Staff and Partners: B. Partnerships									
3.B.2	Failure to agree with partners integrated delivery models for local health and care services	●	12	4	△	➔	Executive Director Community Services	<ul style="list-style-type: none"> Partnerships in place across health and social care. Monitoring of initiatives takes place via DMT, S75 Board and HWBB. Integration planning continues with new joint posts agreed and recruited Developed the strategic commissioning function. Care at home leadership group has now been established. .Whole system recovery plan has been developed 	<ul style="list-style-type: none"> Implement new joint H&SC governance working arrangements Review holistic approach for grant funding CEO leading work to agree place based joint working arrangement for LBL and CCG / NHS various milestones. New Strategic Plan with partners required. Proposals for Commissioning Alliance and provider alliances are being developed. Continue to develop the Lewisham Health & Care partnership alliance arrangements whole system change. Work with providers to develop an operational model for Care at Home and Adult Mental Health 	<p>ongoing</p> <p>June 20 Done as part of cuts proposals. Next step is implementation in 2021/22</p> <p>Ongoing</p> <p>Monthly by Lewisham Health & Care Partners Board</p> <p>Jan 21</p>	Delivering and defending health, social care, and support
	Impact		4	2							
	Likelihood		3	2							

Strategic Risk Register – December 2020

Risk	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
4. Develop Staff and Partners: A. Procurement											
4.A.1	Failure to manage strategic suppliers and related procurement programmes. (13)	●	12	6	△	➔	Executive Director for Corporate Resources	<ul style="list-style-type: none"> Published work on community wealth building as part of inclusive growth strategy development Growth in service for additional x2 posts Rolled out quarterly procurement training courses for all appropriate officers Fees and charges report published in 20/21 Current years Social Value report was published in Aug 20 	<ul style="list-style-type: none"> Update approach and review of contract management for types of contract. Next step is to build a contract management tool kit for officers Build a contract management dashboard Fees & Charges work for 21/22 budget and accelerate work on memorandum trading accounts for priority services re commercial work Roll out contract management training module for all procurement and contract managers 	Done (slipped from Mar 20) Apr 21 Mar 21 Feb 21/22. Trading accounts slipped to Dec 20 due to Covid Done Dec 20	Building an inclusive local economy
	Impact		4	3							
	Likelihood		3	2							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direction of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
4. Services Represent VFM: A. Performance											
4.B.1	Failure to manage performance leads to service failure (10)	●	12	4	△	➔	Chief Executive	<ul style="list-style-type: none"> Transferred reporting of risk to Audit Panel Director sessions, as part of Budget/MTFS planning, to improve alignment and monitoring of key service activity, forecasts etc to assess cost drivers 	<ul style="list-style-type: none"> Review of corporate performance monitoring arrangements by EMT 	TBC	<i>Good governance and effective operational performance</i>
	Impact		3	2							
	Likelihood		4	2							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
5. Manage within Budget: A. Financial											
5.A.1	Financial Failure and inability to maintain service delivery within a balanced budget	●	25	4	△	➔	Executive Director for Corporate Resources	<p>Audited financial statement and VFM – unqualified</p> <p>MTFS, regular monitoring of reserves and provisions, and balanced budget</p> <p>Financial planning addresses historic pressures, emerging demand / costs, and cuts needed in future years.</p> <p>Financial planning considers commitments across collection fund, general fund, schools, housing, pension fund, and capital plans</p>	<ul style="list-style-type: none"> • finance stabilisation and covid impact • setting MTFS to 23/24 • launching cuts work to identify proposals for budget • Agree 21/22 budget with cuts identified and pressures funded to set realistic service baselines and manage reserves position for uncertainty • implement in-year spending and recruitment controls • Review MTFS and treasury plans with updated capital strategy • Monitor local government finance changes – covid and spending review – to ensure changes required are made in good time 	<p>Done Oct 20</p> <p>Done Oct 20</p> <p>Done Oct 20</p> <p>Mar 21</p> <p>Done Next update Apr 21</p> <p>Jul 21</p> <p>Ongoing Next update Apr 21</p>	Good governance and effective operational performance
	Impact		5	4							
	Likelihood		5	1							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
5. Manage within Budget: A. Financial											
5.A.2	Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams	●	12	6	△	➔	Executive Director for Corporate Resources	<ul style="list-style-type: none"> Pension Fund triennial actuarial valuation underway Annual review of insurance provisions and claims Provision and Reserves strategy regularly reviewed to support monitoring and medium term financial planning positions Monitor and contribute to consultations on future of local government finance 	<ul style="list-style-type: none"> Prepare for Business Rates devolution – now on hold and London pool stopped Implement investments strategy following the Pension Fund valuation Assess impact of LGFS following the Chancellor's Autumn Budget. CSR & FFR with Autumn Chancellor's budget. Actuarial review of insurance provisions and reserves 	As per Gov't timetable that has been delayed June 2021 Feb 21 Sept 20 Done	Good governance and effective operational performance
	Impact		4	3							
	Likelihood		3	2							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direction of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
5. Manage within Budget: A. Financial											
5.A.3	Loss of Income to the Council – Failure to collect debt	●	12	9	★	➔	Executive Director for Corporate Resources	<ul style="list-style-type: none"> ASC charging now all on latest policy. All financial assessments re-done. Ash review for sundry debt concluded to move with a manual solution to: <ul style="list-style-type: none"> Avoid more IT risk & time Have immediate impact Realise Oracle & Controcc benefits Additional resource into debt collection team for support improved collection rates For 20/21 and into 21/22 due to impact of Covid-19 focused on monitoring of income collection positions for all types of debt. 	<ul style="list-style-type: none"> ASC review of process and systems for charging and improvement programme business case agreed and presently being scoped. Implement auto-charging through Controcc along with LAS system reset work 	April 21 – slipped to Dec 20 Dec 20 – delayed to March 21	Good governance and effective operational performance
	Impact		3	3							
	Likelihood		4	1							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct' n of travel	Responsib le	What have we done & source of assurance	What are we planning to do	By when	Notes
5.Manage within Budget: B. Emergency Planning and Business Continuity											
5.B.1	Failure to effectively contain the impacts of an emergency affecting the public, business, environment and/or organisation	●	10	8	★	➔	Executive Director Corporate Resources	<ul style="list-style-type: none"> On-call Emergency Planning rota Ongoing Training of all on-call staff London wide standardised training packages ensure consistency and reassurance if mutual aid is required Business Continuity Management Programme runs on annual basis Provide assurance of our capability though the Resilience Standards for London Borough Resilience Forum meets 4 times a year to maintain an overview of the Borough risks and to maintain partnership working Maintain the Borough risk register Maintain and review lessons learned document for all incidents both internal external and COVID related 	<p>Current Covid response has put the Council on an incident response footing since Mar 20. Planned regular exercise are being tested through various lived examples. This continues with present lockdown restrictions and include:</p> <ul style="list-style-type: none"> Run a Council Emergency Planning exercise annually Run an internal Business Continuity Exercise annually Provide table top exercises on BC and Emergency Planning throughout the year Run exercises around key risk themes through Borough Resilience Forum 	<p>Ongoing</p> <p>Ongoing to inform future planning</p>	Good governance and effective operational performance
	Impact		5	4							
	Likelihood		2	2							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct' n of travel	Responsib le	What have we done & source of assurance	What are we planning to do	By when	Notes
COVID- 19 Overall Risk											
5.B.2	Failure to effectively contain the impacts of Covid-19 and deliver services	●	20	16	★	➔	Covid Gold Officer/ Chief Executive	<ul style="list-style-type: none"> • Response strategy and objectives. • Covid risk register identifies key areas of concern and responsibilities • Multi-agency partnership working following a command and control structure. • Sub groups established to deal effectively with key areas of response • Service priorities determined to support the critical functions of the council • Support to critical functions from non-critical services to through the Covid Action Team. • Community Champions programme established to ensure communications are effectively reaching all areas of the community • Communications strategy in place • Situation reporting internally and externally to ensure resilience in the response and to provide an overview across London • Address any changes to legislation and guidance • Targeted testing for identified critical key workers to limit the impacts. • Provide support to the Vaccination Programme 	<ul style="list-style-type: none"> • Continue to monitor impact on services and respond to any lack of resources. • Groups to continue to operate on regular basis • Continue to respond to changes in guidance and legislation • Continue to provide support to staff and residents through services and communications • Improve compliance on restrictions through revised enforcement approach • Review likely expectations for Council to provide longer term public health services – e.g. in support of track and trace and vaccinations 	Ongoing – with engagement of Members and Senior Leadership Team	Good governance and effective operational performance
	Impact		5	4							
	Likelihood		4	4							

Strategic Risk Register – December 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when	Notes
6. BREXIT											
6.A.1	Brexit: Risk of disruption to council services and impact on residents and businesses operating in the borough	●	12	8	★	➔	Covid Gold Officer	<ul style="list-style-type: none"> Corporate Group set up to manage and plan mitigation. London worst case scenario document used to develop risk register with mitigations Brexit risk register for all services Regular briefing to EMT and Mayor and Cabinet Incorporated into Business Continuity planning cycle as a risk to service delivery Continue to monitor impacts and work to support local people with benefits and the local economy using the business task force. 	<ul style="list-style-type: none"> Extend Brexit risk assessments for end January 2021 to include consideration of impact of Hong Kong nationals migrating to the UK Continue to discuss with Brexit Group any issues that may arise from transition now agreed Review and plan for potential impact of issuing Hong Kong residents UK right to remain status 	<p>Mar 21</p> <p>Next update Mar 21</p> <p>Mar 21</p>	Good governance and effective operational performance
	Impact		4	4							
	Likelihood		3	2							

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