



# AGENDA AUDIT PANEL

**Date: THURSDAY, 8 SEPTEMBER 2022 at 7.00 pm**

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

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## **COUNCILLORS**

Councillor Eva Kestner (Chair)  
Councillor Sakina Sheikh  
Councillor James Rathbone  
Councillor Rudi Schmidt  
Councillor Liam Shrivastava  
Councillor Carol Webley-Brown

## **Independent Members**

Ian Pleace  
Stephen Warren

**Members are summoned to attend this meeting**

**Kim Wright  
Chief Executive  
Lewisham Town Hall  
Catford  
London SE6 4RU  
Date: 31 August 2022**



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.

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## MINUTES OF THE AUDIT PANEL

Tuesday, 21 June 2022 at 7.00 pm

PRESENT: Councillors Eva Kestner (Chair), James Rathbone, Rudi Schmidt, Liam Shrivastava and Carol Webley-Brown

### 1. Election of Chair and Vice Chair

Councillor Eva Kestner was nominated and elected as Chair of the Audit Panel for the Municipal Year 2022/23.

Councillor was nominated and elected as Vice Chair for the Municipal Year 2023/24

### 2. Minutes

The minutes of the last meeting were agreed as an accurate record

### 3. Declarations of Interest

Stephen Warren declared the following interest, stating:

He is a consultant for Public Sector Audit Appointments Ltd that appoints the Council's external auditor, advising on matters relating to the impact of changes in auditing standards. He stated that he has also advised on matters relating to the financial evaluation of tenders and tender documentation- these matters are all of a general nature and not specific to the appointment of Auditors that the Council.

### 4. Statement of Accounts 2021/22 Update & External Audit

The report provided an update to Member on the preparations for the 2021/22 closing of accounts and statutory external audit processes; provided Members with the management action responses to the auditor recommendations made as part of the 2020/21 external audit; discussed the key risks for the 2021/22 accounts; and discussed the 2021/22 Audit Plan produced by Grant Thornton.

The Chief Accountant presented this item and discussed the report as follows:

#### Statement of Accounts update

The Council are working to prepare draft accounts by 30 June 2022 and publishing audited accounts by 30 November 2022. Once submitted, they will also be published on the Council website and the statutory public inspection period will be between July and August. The final audit is scheduled to take place between July and November 2022, with publication of the final accounts by 30 November 2022.

#### Recommendations as part of the Audit Findings Report

This section of the report was summarised in Appendix A. A lot of the actions were proposed to be closed, subject to an external audit review later in the year. the

following recommendations were discussed: the bank reconciliation work done for schools, which had vastly improved this year and the recommendations were met; un-presented cheques-a regular review is required to ensure that all cheques over 6 months are stopped as part of business as usual; section 106 grants- there was an issue last year regarding the classification of those and work had been undertaken to ensure that there is reconciliation between the Section 106 recording system (Exacom) to the ledger on an agreement by agreement basis; starters returning signed contracts; lastly, the set up of the general ledger is not conducive for financial reporting and Northern Trust t have agreed to amend the data they provide so that it is in line with the Oracle coding structure which would result in far less manual adjustments being required.

#### Audit Risk Assessment and Audit Plan

This section of the report was included in Appendix B. the Grant Thornton representative summarised the report findings highlighting the risks identified for the audit of the financial statements. He discussed the following:

He discussed the two mandatory risks of every audit; the presumed risk of fraud in every revenue recognition which is limited in nature and the risk of management override of controls- the work to be done on the Council's journals, will address this risk in the Audit.

The valuation of land and buildings is an inherently risky item because it is significantly material and subjective in terms of informed estimates. The Plan in the report also covered the pension fund with the biggest risks being the valuation of level 3 investments. They are not publicly listed and therefore more prone to inherent risks of misstatements. Grant Thornton will undertake work to ensure they are materially accurately stated, as they have in previous years.

The value of infrastructure assets within the financial statements was also discussed. There will be a follow-up this year of what the requirements for assessing the significance of this risk and Grant Thornton will document their understanding of the management process for derecognising infrastructure assets.

The materiality for the Council this year is £17.2m, slightly lower than last year. triviality is £0.86m- this means that any error that is under this figure would be considered trivial, but anything between these two figures would be reported to the Panel. The materiality for the Pension Fund remains stable at £16m.

It was asked what Grant Thornton's opinion was on cut-off test, and whether the Council is in a position where they are comparable to other authorities. Grant Thornton responded that they are still a little behind other local authorities but can offer an update after the cut-off testing work in the summer.

RESOLVED the report was noted.

#### **5. Value for Money 2020/21**

Grant Thornton presented this report. The report was summarised as follows:

This was the first year that the Council's VFM work had been considered under the new Code of Practice of the National Audit Office. Auditors are to provide comment on financial sustainability, governance and improving economy efficiency and effectiveness. Across these areas, no significant weaknesses in the Council's arrangements had been identified. Some improvement recommendations were identified, which built on the existing arrangements the Council has in place.

In terms of financial resilience, it was said the Council managed its finances well in 2021, reporting a small overspend. The key areas of improvement were, continuing the work in understanding activity and associated costs of general fund placements, and also educational needs and disability costs across the Children and Young People's directorate. Systems used by social care staff are also being improved.

Grant Thornton found good governance arrangements in place that are being properly adapted by the Council as a response to the pandemic.

It is recommended the Council streamline and centralise risk management processes, making it more consistent across the Council. They also recommended more reporting on the actions and progress on the Council subsidiaries, Lewisham Homes and Catford Regeneration Partnerships Ltd.

It was asked that, as we are now at 10% inflation, to what degree does the rise affect the recommendations from Grant Thornton on VFM, particularly around sustainability and the Council's ability to deliver savings, when costs in all areas are going to be increasing. The response was that it would be a part of their considerations that they would like to see a dynamic response from the Council in reprioritising the necessary areas as cost pressures rise and how realistic the plans are in response to that.

It was also asked how does Lewisham's financial resilience compare to other Councils. The response was that there was not too much concern in a period of stability and Lewisham is relatively well placed to weather the increased uncertainty that is coming its way.

RESOLVED the Panel noted the report.

## **6. Internal Audit Annual Report 2021/22 and Progress Update**

The Head of Assurance presented this report which outlined his annual opinion for the year 2021/22 on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control. He summarised the report, stating the following:

He stated he was satisfied that the internal audit service has had complete and unfettered access to people and properties throughout the year so the work has not been restricted. The audit service has acted with independence throughout the year. In the coming year, he will be looking at how this differs to the Head of Audit's role as he undertook this role a lot later. He is also satisfied that the work done this year has met the necessary standard as required.

### Internal Control

He was satisfied that during the year ended 31 March 2022 the Council managed its internal controls to offer satisfactory assurance on their adequacy and effectiveness. He noted some persistent control weaknesses in the operation of control account reconciliations, procedural documentation and evidencing control function. He added that these matters were discussed with the Council's EMT and recommended they be included within the Annual Governance Statement along with a plan to improve compliance.

### Framework of Governance

He was satisfied with Council's framework of governance for the year. He thanked Members of this Panel and the Council's Executive Management Team for their efforts in supporting compliance with fulfilling agreed actions arising from audit report.

### Risk Management

He was satisfied with the risk management arrangements at the Council for the year ended 31 March 2022 are effective and provide satisfactory assurance. He stated there was room to develop the Council's risk approach to include its reporting, comprehensiveness and integration with wider decision-making. He had discussed these matters with the Council's EMT and recommended they be included within the Annual Governance Statement.

There were a relatively high number of process engagements by the year end 2021 but there was nothing underlying that would alter his opinion. The work is progressing well.

Commenting on Quality Assurance and Improvement Programmes in the audit service, the Head of Assurance identified a range of areas to improve both actual conformance and how we document to demonstrate conformance: greater emphasis on planning; shorter, more specific actions; and new reporting templates.

The special investigation work carried out by A-FACT covers allegations involving employees, contractors, business rates, grants, blue badges and financial irregularities within or against the Council. Housing investigation work covers fraudulent applications and the team conduct investigations into subletting on behalf of our partners Lewisham Homes and several RSLs. The team had also supported different teams in setting up and processing the various grants available during the pandemic. The aim was to ensure that while monies were distributed to businesses as soon as possible, it was within the framework of fraud controls. A full account of this work will be available in September as the work is currently still ongoing.

It was asked what structure were in place to ensure prevention of fraud as opposed to reactive reporting of anti-fraud work. Core risk-assessments will continue to be carried out throughout the year ahead of new initiatives and promote whistle-blowing services.

RESOLVED the Panel noted the report.

## **7. Internal Audit External Quality Assessment**

The Head of Assurance introduced this report. The report set out the conclusions of the City of London Corporation-led external quality assessment of the Councils internal audit service's conformance with Public Sector Internal Audit Standards.

The Head of Audit for the City of London presented and summarised the report. The assessment concluded that Lewisham generally conforms to the Standards. He had assessed against 145 criteria and Lewisham's internal audit function conforms to 132 of those.

It was also observed that Internal Audit has good engagement with the Executive Management Team; reporting regularly on the outcomes of Internal Audit work and, from stakeholder consultation, it was established that the function is well regarded. Some challenges around management implementation of Audit recommendations were identified and it was advised that the Head of Assurance may wish to consider introducing a more robust challenge and escalation as part of the Audit follow-up process.

The Head of Assurance stated he will report his self-assessment of conformance with the standards at a future meeting.

RESOLVED the Panel noted the report.

## **8. Corporate Risk Register Update and Safeguarding Risks Review**

The Head of Assurance presented and summarised this report. The following was discussed.

The current Risk Management Strategy runs from 2017-2022. A refreshed Risk Management Strategy is currently being worked on with the key areas of improvements being: Increased currency to risk reporting information; more available information in more useable reporting; easier information management; a comprehensive overview of risk at the Council.

A revised Risk Management Strategy will come to the December Panel meeting.

Referencing the risk register in the appendix to the report, it was asked if there will be some mitigation plan in response to the risks 1B1 and 4A2 which increased from Amber to Red.

The Panel agreed to have these two risks brought to a future meeting (December) to be interrogated further, where the risk owners would issue a response.

The Safeguarding Board Manager presented the Adult Safeguarding Risk Review appendix. He discussed the following:

He highlighted the role of the Adult MASH- to provide a timely and consistent approach to the management of safeguarding concerns relating to vulnerable adults in Lewisham, and the decision to progress to a Section 42 Safeguarding Enquiry. It was created in June 2021 and was the biggest change to adult

safeguarding procedures. They had also been a recent change in management, so it can be said that the MASH team are still settling in.

The report highlighted the several safeguarding enquiries linked to adult mental health in Lewisham and the Council received a higher number of safeguarding enquiries compared to other boroughs. The enquiries are delegated to different teams- Risk Assessment- the MASH will triage to determine whether to refer it for enquiries under the London ADASS safeguarding adult's procedures; Section 42 Enquiry, Neighbourhood, AWLD, Safeguarding Quality assurance Services; and Case closure- the responsible team coordinating the safeguarding enquiries will complete the case closure and making safeguarding personal questionnaire which is completed with the adult at risk at the conclusion of the enquiries.

There is a series of audits delivered within each of the calendar years and a wider programme of audits enacted within a 2 to 3 year period. CQC will recommence inspections of Local Authority Adult Social Care departments which will take place annually.

The annual assessment of overall performance has just been completed. Some work improvements need to be done on the closure stage of safeguarding enquiry work. Training and the amendment of IT systems also needs to be strengthened. All services and workers at all levels are expected to participate in the planning and implementation of a series of thematic audits, aligned with the statutory functions of ASC, and ongoing quarterly audits alternating between practice standards and safeguarding, aimed at promoting a culture of openness and continuous self-assessment and improvement.

Members commented that there was not enough detail about preparation and mitigation work and the impact of when a safeguarding failure occurs in the report. The presenting officer responded that much of that work, including reviewing, is ongoing so they could not be detailed in the report. It was also asked if the audit looks at how the Council communicates with vulnerable adults. The officer responded that individual cases and needs must be taken into account. Equality duty and engagement are key components of adult safeguarding and are reviewed alongside advocacy.

It was asked what recommendations came forward from the internal peer review. As the information was not at hand for the meeting, it was agreed that there would be follow-up from the adult-safeguarding team

RESOLVED the report was noted.

## **9. Audit Panel Work Programme**

The Head of Assurance presented this report.

It was agreed that a report summarising the changes on guidance for auditors from CIPFA would be brought to the next Panel meeting.



It was also suggested and agreed that the work programme shows links to the Panel's Terms of Reference in future.

RESOLVED the report was noted.

# Agenda Item 2

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 1
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 8 September 2022

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 3



## AUDIT PANEL

### **Report title: Anti-Fraud and Corruption Team – Annual Report**

**Date:** 8th September 2022

**Key decision:** No.

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Head of Assurance and Anti-Fraud and Corruption Team Manager

### **Outline and recommendations**

The purpose of this report is to present the Audit Panel with a review of the work of the Anti-Fraud and Corruption Team (A-FACT) in the last financial year.

It is recommended that the Audit Panel note this report for information.

## **1. Summary**

- 1.1. A-FACT's work continued to be impacted by the COVID-19 pandemic with the anti-fraud response redirected to various COVID-19 support schemes. Other investigation work has been hindered by the inability to conduct interviews and visits, restrictions on evictions and court system delays.
- 1.2. We provide activity detail in the body of the report. Highlights include:
  - We supported the pre and post-payment verification relating to the COVID-19 relief schemes. This task included working with the Insight and Delivery Lead to automate checking grant applications against bank accounts and email addresses with known links to organised fraud.
  - We used our access to the CIFAS Fraud Database to provide additional assurance post payment. The batch processing facility has been particularly useful to deal with case volume.

## **2. Recommendations**

- 2.1. It is recommended that the Audit Panel note this report for information.

### 3. Policy Context

- 3.1. The overriding policy context for the Audit Panel is to ensure adequate and effective governance and internal control to fulfill Members' and Officers' public stewardship obligations.
- 3.2. This impacts all the Council's strategic priorities, as part of the Corporate Strategy 2019. The seven corporate priorities as stated below:
  - **Open Lewisham** - Lewisham will be a place where diversity and cultural heritage is recognised as a strength and is celebrated.
  - **Tackling the housing crisis** - Everyone has a decent home that is secure and affordable.
  - **Giving children and young people the best start in life** - Every child has access to an outstanding and inspiring education, and is given the support they need to keep them safe, well and able to achieve their full potential.
  - **Building and inclusive local economy** - Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
  - **Delivering and defending health, social care and support** - Ensuring everyone receives the health, mental health, social care and support services they need.
  - **Making Lewisham greener** - Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
  - **Building safer communities** - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

### 4. Background

- 4.1. The A-FACT comprises five officers. The work is focused on special Investigations, housing, pre-employment checks for employees, and service level agreement with Lewisham Homes.
- 4.2. The special investigation work covers allegations involving employees, contractors, business rates, grants, blue badges and financial irregularities within or against Lewisham Council.
- 4.3. The housing investigation work covers fraudulent applications relating to Homelessness, Housing register, Right to Buy and Cash Incentive schemes. Investigations into subletting are conducted on behalf of our partners Lewisham Homes and several Registered Social Landlord (RSLs)
- 4.4. The referencing work covers pre-employment checks focusing on potential conflicts of interest and monies owed to the council for council tax etc, as well as investigating any anomalies with employment history etc.
- 4.5. We also support Lewisham Homes with more serious allegations of fraud within or against Lewisham Homes and pre-employment checks.

### 5. Investigation work

#### Special Investigations

- 5.1. "Special Investigations" is the term used for our non-housing investigative work.
- 5.2. Details of work and comparative figures for the same period in the prior year are shown below, along with the previous two years full year figures for reference.

Summary of Special Investigations work	2021/22	2020/21	2019/20
<b>Bought forward from prior years</b>	<b>47</b>	<b>37</b>	<b>19</b>
New Cases	67	76	121
Closed Cases	70	66	103
- Employee & Agency Closed with action	6	10	2
- Employee & Agency Closed no action	4	0	4
- Other Closed with action	41	43	65
- Other Closed no action	19	13	32
<b>Cases Carried Forward to Next Year</b>	<b>44</b>	<b>47</b>	<b>37</b>

5.3. There were 6 staff cases concluded in the year to 31 March 2022 resulting in action.

- 1 x resigned whilst under investigation
- 4 x not employed following issues arising from the pre-employment vetting
- 1 x no fraud identified but procedural weaknesses identified and improved

5.4. The tables below show further analysis of employee and non-employee fraud.

Emp & Agency Case Analysis	2021/22	2020/21	2019/20
Dismissed/resigned & Convicted	0	1	0
Resigned/Dismissed incl agency	1	4	1
Other disciplinary or monies repaid	4	4	2
Prosecuted for false application	0	0	1
Management action incl process review	1	0	0
Identity or other issue cleared	0	1	0
Closed with no action	4	0	4
<b>Total Employee &amp; Agency Cases</b>	<b>10</b>	<b>10</b>	<b>6</b>

Non-Employee Cases 2021/22	Total Cases	Fraud Proven or Prevented	Evidence provided	No Fraud / NFA
Blue Badge	3	1	1	1
Direct Care Payments	2	0	1	1
Business Rates	5	3	0	2
Other cases	21	6	0	15
Information requests	29	0	0	0
<b>Total</b>	<b>60</b>	<b>10</b>	<b>2</b>	<b>19</b>

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- 5.5. In the table above “Requests for information” includes requests from other authorities to aid investigations they are undertaking. Our stance is to provide information wherever we are legally free to do so, consistent with a general view in wanting to see fraud investigated wherever it may arise. We are also conscious that our own investigations may sometimes rely on information held by other authorities. Such requests have also, on occasion, led to successful joint investigations.
- 5.6. The table below shows the breakdown of cases received and closed April to June 2022.

Summary of Special Investigations work	Apr - Jun 2022
<b>Bought forward</b>	<b>44</b>
New Cases	19
Closed Cases	13
- Employee & Agency Closed with action	0
- Employee & Agency Closed no action	0
- Other Closed with action	7
- Other Closed no action	6
<b>Carried Forward</b>	<b>50</b>

- 5.7. The 7 cases closed with action relate to
- 2 x Blue badge cases. A prosecution for the misuse of the deceased person’s blue badge which resulted in a £120 fine and £150 costs, and a case where the application was cancelled due to discrepancies with the address.
  - 1 x No recourse to Public funds case where the absent parent was traced to make a financial contribution to the household.
  - 1 x Fraud alert issued concerning Mandate Fraud
  - 2 x Interrogation of emails for specific information required for the Council’s business but not related to fraud.
  - 1 x Investigation into the purchase of IT equipment outside of the usual procurement process during the initial months of the pandemic. The laptops have been recovered and will be repurposed

#### **COVID-19 Business Rates grants**

- 5.8. A-FACT have supported the Business Rates Team, and the Economy, Jobs and Partnership Team in setting up and processing the various grants available during the pandemic. Our aim was to ensure that monies were distributed to businesses as soon as possible within a robust framework of fraud controls. This has included preparing Fraud Risk assessment and Post Event Assurance Plans following Department for Business, Energy and Industrial Startegy (BEIS) guidance and ensuring pre and post-payment checks are completed as required by the scheme.
- 5.9. The Council’s focus was on preventing payment of fraudulent applications and rigorous pre-payment checks tailored to the specific grant schemes. This included using central government tools such as Spotlight and bank checker to detect potentially fraudulent applications as well as checking both in-house and external systems.

- 5.10. Applicants originally submitted claims by email to ensure a simple and agile process. Later, the Council moved to online applications which sped up claim processing and verifying.
- 5.11. For the most recent Omicron grant scheme we worked with the Council's Insight & Delivery Lead to automate checking new grant applications against details linked to fraudulent applications elsewhere. This check was in addition to normal verification.
- 5.12. We rejected over half of the 6,687 applications received. We could not establish whether these were due to fraud or error, but it is likely a number of those rejected were fraudulent.

Categories of rejection	No.
Business previously notified as closed	104
Business insolvent or application to strike off	13
Grants claimed for empty premises	42
Details not matching information previously supplied	548
Not eligible for grant sought	2,007
Duplicate/Already paid	983
<b>Total rejected</b>	<b>3,697</b>

- 5.13. We have carried out post-payment checks on a sample of applications. We have detected no fraudulent applications in that sample.
- 5.14. We have submitted data from the earlier grant schemes to the National Fraud Initiative, a data matching exercise coordinated by the Cabinet Office. They returned 22 applications for further checking. Detailed checks found that these grants had all been correctly claimed.

#### Pre-employment checks

- 5.15. A-FACT support Human Resources by undertaking part of the Council's recruitment checks. Each candidate who has accepted a verbal offer of employment must complete a pre-employment check focusing on Council tax, benefits, rent and personal business interests which may cast doubt on the individual's integrity or identify potential conflicts. This process also applies to agency staff.

Summary of checks	2021/22	2020/21	2019/20
Checks completed	311	265	292
Action taken	28	32	36
Proportion with action taken	9%	12%	12%

- 5.16. On the 28 cases with action taken:
- 4 x repayment plans agreed to pay outstanding Council Tax or rent totalling £6,575.
  - 1 x case where Council Tax SPD had been fraudulently claimed on a property by someone other than the potential employee to the value of £552
  - 18 x declared Company directorships checked for conflicts of interest.
  - 5 x undeclared Company directorships identified.

### Is this report easy to understand?

Please give us feedback so we can improve.

- 5.17. A further three cases resulted in offers of employment being withdrawn. These are detailed in section 5.2 of this report.
- 5.18. A table below shows the breakdown of cases received and closed April to June 2022.

Summary of checks	April - June 2022
Checks completed	80
Action taken	8
Proportion with action taken	10%

- 5.19. Cases resulting in action can be broken down as follows.
- 2 x repayment plans agree to pay outstanding Council Tax totaling nearly £8k
  - 5 x declared Company directorships checked for conflicts of interest
  - 1 x undeclared Company directorships identified.

#### **Test and Trace Support payments**

- 5.20. A-FACT continued to support the Housing Benefit Team by undertaking post-payment sample checks on support payments. 45 cases were checked but no irregularities were uncovered.

#### **Council Tax Energy Rebate Scheme**

- 5.21. A-FACT worked with Council Tax to ensure that the Energy Rebate Scheme was subject to proportionate fraud checks to limit any opportunity for fraud whilst ensuring that residents can access the support in a timely and convenient method.

#### **Anti-Fraud and Corruption Policy**

- 5.22. The Council's Anti-Fraud & Fraud Policy has been reviewed and updated. The revised version is attached as appendix 1. This is a housekeeping update, correcting some references and updating job titles. We hope to undertake a more comprehensive review of the policy in 2023/24.

#### **Lewisham Homes**

- 5.23. A-FACT continues to undertake investigation work for Lewisham Homes under a Service Level Agreement. The investigation work has been severely hampered by the pandemic. Interviews, visits and court cases have stalled. Although this has reduced the volume of work possible, we have worked with Lewisham Homes to recover five tenancies and, in one case, reduce the size of tenancy offered.
- 5.24. We undertook 92 pre-employment checks for Lewisham Homes, with 8 resulting in further action including repayment plans to recover over £7k of outstanding Council Tax and rent

#### **RSL and Housing Investigations**

- 5.25. Due to overlaps in the work for our RSL partners and applications for housing and homelessness we have combined the figures below for both areas of work. As with special investigations, cases are linked to the year closed.

Summary of RSL & Housing Cases	2021/22	2020/21	2019/20
<b>Brought forward from prior years</b>	<b>26</b>	<b>29</b>	<b>66</b>
New cases	54	29	53
Closed Cases – No action	29	28	70
Closed Cases - Resulting in action	11	4	20
<b>Carried forward to future years</b>	<b>40</b>	<b>26</b>	<b>29</b>

5.26. Cases resulting in action:

- 3 x tenancies recovered
- 4 x Applications for housing cancelled
- 2 x Number of bedrooms reduced
- 2 x Court undertakings signed regarding future use of tenancy

5.27. The pandemic has had a significant impact on housing investigations over the last couple of years. For a period evictions were unlawful, and we continue to see significant delays in the court system. However in the period April to June the team has already had 5 successful cases:

- 4 x tenancies recovered.
- 1 x application for housing cancelled

#### **Local Government Transparency Code 2014**

5.28. The Local Government Transparency Code requires all local authorities to publish data on their anti-fraud arrangements at least annually.

5.29. The data for 2021/22 is below along with the two previous years for comparison. Note that in investigations into Business Rate grants, only closed successful cases have been included due to the volume of checks conducted

Data required	21/22	20/21	19/20
Number of uses of powers under the Prevention of Social Housing Fraud (Power to require information) Regulations 2014 or similar.	5	19	32
Total number of employees undertaking investigations and prosecutions of fraud	5	5	6
Total number of professionally accredited counter fraud specialists	5	5	6
Total amount spent by the authority on the investigation and prosecution of fraud	£283,844	£315,367	£352,929
Total number of cases investigated (Not including covid grants)	154	156	272

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## **6. Financial implications**

6.1. There are no financial implications arising from this report.

## **7. Legal implications**

7.1. There are no legal implications arising from this report.

## **8. Equalities implications**

8.1. There are no equalities implications arising from this report.

## **9. Climate change and environmental implications**

9.1. There are no climate change and environmental implications arising from this report.

## **10. Crime and disorder implications**

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

## **11. Health and wellbeing implications**

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

## **12. Background papers**

12.1. There are no background papers.

## **13. Report author(s) and contact**

13.1. If there are any queries on this report, please contact Rich Clarke, Head of Assurance  
Rich.clarke@lewisham.gov.uk or Carol Owen, Anti-Fraud & Corruption Team Manager  
[carol.owen@lewisham.gov.uk](mailto:carol.owen@lewisham.gov.uk)



# Anti-Fraud and Corruption Policy

Date last Reviewed Sept 2022

Approved by: Pending approval

Version No 4

Next Review date August 2023

Document Owner Carol Owen, Anti-Fraud & Corruption Team Manager

# Anti-Fraud and Corruption Policy



## Introduction:

Fraud within the public sector is estimated to cost the taxpayer billions of pounds each year. Detected cases of fraud and corruption are on the increase and tackling public sector fraud is a major priority of the current government. Local authorities, which bear the brunt of losses through fraud, are now taking active steps to reduce and eliminate fraud at all levels within their organisations.

Lewisham Council has a zero tolerance to fraud. The Council is committed to preventing fraud and corruption within all aspects of the Council's daily life, whether internal or external to its workings.

Lewisham is committed to establishing, and the public has a right to expect, the highest standards of probity and conduct in the administration of the borough. The Council is determined to eradicate fraud, financial malpractice and any other irregularity, which may call into question the integrity of the Council's operations.

The London Borough of Lewisham will take all appropriate measures to prevent, deter, detect and remedy fraud and this policy document is a statement of the Council's anti-fraud strategy.

The policy will ensure that the Council, its Councillors and its officers conduct themselves so as to be beyond reproach, above suspicion and fully accountable. No financial malpractice will be tolerated. Perpetrators can expect a range of actions including prosecution, disciplinary measures and restitution.

The aim is for Lewisham to be at the forefront of ensuring public probity in local administration and governance.

This policy supplements but does not replace the current Anti-Bribery Policy for the London Borough of Lewisham.

The Council has an Anti-Fraud and Corruption Team (A-FACT) dedicated to the deterrence, prevention, detection and investigation of any fraud or irregularities within Council proceedings. In addition, the Council's Internal Audit Section undertake annual plans based upon risk assessment, aiding management in its responsibility to ensure robust systems and enhancing the effectiveness of internal control.

The Council expects

- ✚ Only the highest standards from its members and employees;  
Nolan principles;  
Member Code of Conduct;  
Employee Code of Conduct;
- ✚ Managers to be responsible for ensuring that adequate controls, to minimise the risk of fraud, are in place;
- ✚ Members and employees to report incidents of irregularity to A-FACT;
- ✚ Contractors to act with integrity and adhere to the Council's Anti-Fraud and Corruption Policy and the Code of Practice for Contractors, Suppliers & Service Providers.

## **Definition of Fraud and Corruption:**

### **Fraud:**

Fraud is the illicit gaining of cash or other benefits by deception. The definition is wide-ranging but covers any actions by employees, Councillors, clients, partners, agents, consultants and contractors intended to misappropriate funds or other Council assets for personal gain.

The Fraud Act 2006 has placed the act of fraud into three categories:

- ✚ Fraud by misrepresentation;
- ✚ Fraud by failing to disclose information; and
- ✚ Fraud by abuse of position.

### **Corruption:**

For the purpose of this policy corruption is defined as

*'the offering, giving, soliciting or acceptance of an inducement or reward which may influence official action or decision making. These inducements can take many forms including cash, holidays, event tickets, meals etc'.*

The public is entitled to expect the highest standards of behaviour from all those employees, Councillors, clients, partners, agents, consultants and contractors who work in local government. Conduct must never be influenced by improper motives. Councillors and employees are expected to maintain the highest standards of integrity. This includes abiding by the Seven Principles of Public Life, as recommended by the Committee on Standards in Public Life (The Nolan Committee).



The Council is seeking to develop and maintain an environment which makes fraud and corruption undesirable to contemplate and difficult to perpetrate. All practicable steps are taken to minimise the risk and effect of fraud and corruption by its Councillors, employees, customers or clients. The need for appropriate controls is acknowledged, and the Council will seek to sustain such controls in the administrative, financial, operational and computer systems employed in the delivery of external and internal services and management.

**Councillors:** As elected representatives of the public, Councillors have a duty to be fair, honest and open in their roles. They are bound by legislation, the Council's Standing Orders, the Council's Member Code of Conduct and adopted policies and procedures.

In particular, Councillors must declare and register any pecuniary interest they have in companies, charitable organisations, voluntary groups or other relevant organisations. They must abstain from any debate or vote which pertains to matters involving any such organisations in which they have an interest, and must leave the room during such debates.

All allegations of fraud and corruption involving Councillors will be investigated and treated equally, regardless of the perpetrator. Action will be taken in accordance with the Council's procedure for handling complaints of breach of the Member Code of Conduct including referral to the Police if appropriate.

**Management:** It is the responsibility of all managers to ensure there are appropriate and adequate controls within the systems they are responsible for to minimise the risk of fraud. The Council expects that current recommended best practice would be followed. Controls will be designed to deter, prevent and detect all forms of fraud and corruption and identify a clear pathway for investigation.

**Employees:** All Council employees are bound by the Council's Code of Conduct and Disciplinary Code. Employees are also bound by the Council's Standing Orders, Financial Regulations, Financial Instructions and the Code of Practice for Receipt of Gifts & Hospitality. Also, employees who are members of professional bodies will also be expected to abide by any codes of conduct and/or professional ethics issued by those bodies.

All allegations of fraud and corruption by employees will be thoroughly investigated. Employees found to have improperly benefited from the Council through offences of fraud, theft, serious financial malpractice, or of using their position for personal gain or the gain of others, will be subject to disciplinary action. Where an allegation of gross misconduct is proven, an employee may be summarily dismissed. The Council will also seek to prosecute all offenders and recover lost monies or assets.

Initiatives may be conducted from time to time to ensure the continued integrity of those employed by the Council.

**Contractors; Partners and Agents:** The Council expects all of its contractors, suppliers, agents, partner organisations and individuals, to act with honesty and integrity. Client officers will be responsible for monitoring their actions and for ensuring that their terms of reference, agreements and/or contracts include a clause to the effect that the contractor must abide by the Council's Anti-Fraud & Corruption Policy and co-operate with fraud investigations by Council officers. The Council will seek to ensure that all its dealings will be conducted on the same basis and expects its Councillors and employees to lead by example.

Agency employees engaged by the Council are bound by the same rules as direct Council employees. They are expected to uphold those principles contained in the Code of Conduct. Failure to do so will result in the termination of their engagement.

**The Public:** Members of the public receive financial assistance and support from the council through a variety of sources. These include council housing, temporary accommodation, children's act payment, direct care payments, renovation and other housing-related grants, right to buy discounts blue badges, voluntary sector grants and discounts on council tax and business rates.

The Council has a responsibility to protect public funds, assets and services from fraud. All allegations of fraud or other misuses of public funds by those receiving support from the Council will be thoroughly investigated by the Anti-Fraud & Corruption Team. The Council will seek to prosecute offenders and recover lost monies. Where a claimant is also an employee disciplinary action will be pursued.

**Systems:** Under the Local Government Act 1972, S151, each Council appoints an officer, at Lewisham the Executive Director of Corporate Resources, whose duty is to ensure that proper arrangements are made to administer the Council's finances and financial systems. The Council acknowledges this role, supports the duties of the post and considers the Executive Director's advice on changes to systems of control, financial administration and associated rules and regulations.

The Council operates a system of managerial and financial control whereby the Executive Director of Corporate Resources has a formal responsibility for the finances of the Council, but in practice responsibility for financial monitoring and administration is devolved to officers in directorates. Under the system of financial devolution, Strategic Business Partners represent the Executive Director of Corporate Resources in the directorates and also support other Executive Directors and Budget Holders in discharging their financial and budgetary responsibility.

The authority recognises that prevention is better than cure and all managers must ensure that as far as possible their systems are protected by sound internal controls. It is the responsibility of all managers to establish and maintain systems of internal control and to ensure that the Council's resources are properly applied to the activities intended. This includes the responsibility for the prevention and detection of fraud, corruption and financial malpractice.

## **The Strategy:**

### **Prevention:**

Lewisham Council is committed to the aim of removing all forms of fraud and corruption from the Public Sector and in particular the activities, operations and services where the Council is a stakeholder, this is achieved by maintaining and promoting:

- ✚ An anti-fraud culture – A-FACT Service Plan;
- ✚ Internal Audit's continued role in assessing systems and controls-Internal Audit Plan;
- ✚ An awareness of fraud and corruption through a programme of employee and member training;
- ✚ The Council may publicise fraud issues and successful prosecutions;
- ✚ Council Policies which emphasise the role and responsibilities of the Employee, Manager and Member:
  - ✚ Constitution;
  - ✚ Financial Regulations;
  - ✚ Financial Procedures;
  - ✚ Member Code of Conduct;
  - ✚ Employee Code of Conduct;
  - ✚ ICT Acceptable Use Policy;
  - ✚ Whistleblowing;
  - ✚ Gifts and Hospitality;
  - ✚ A-FACT Prosecutions & Sanctions Policy
  - ✚ Contract of employment;
  - ✚ Relevant departmental manuals.
- ✚ Pre-employment vetting of all new employees, agency workers and consultants;
- ✚ Joint working with other Public Sector organisations and enforcement agencies
- ✚ An Anti-Money Laundering Policy;
- ✚ The Code of Practice for Contractors, Supplier & Service Providers.

## **Deterrence:**

### **Prosecution:**

The Council has the right to refer attempted or actual cases of theft, fraud or corruption, by members of the public, clients, elected members, employees, agency workers, partners, consultants and contractors for criminal prosecution. The decision to consider Prosecution and/or other sanction will be made with reference to the Prosecutions and Sanctions Policy.

In all cases where fraud and corruption are found recovery action will be taken to ensure monies are recovered wherever possible.

The Council will seek to optimise the publicity opportunities associated with its anti-fraud and corruption activity.

The Council will seek to make use of the asset recovery provisions of the Proceeds of Crime Act 2002.

### **Disciplinary Action:**

Employees found to be involved in theft, fraud or corruption will face disciplinary action, but may also be prosecuted, depending upon the circumstances.

Elected members will face appropriate action if found to be involved in theft, fraud or corruption against the authority. All cases will be referred to the Council's Monitoring Officer for referral to the Standards Committee. Prosecution may be considered depending upon the circumstances.

## **Detection and Investigation:**

### **Data Matching & Data Sharing:**

The Council pro-actively uses data matches from such sources as the National Fraud Initiative (NFI). The Council will also share information using legislation or legal gateways available to us and our partners.

### **Referrals:**

Referrals are received from many sources, some of these are listed:

- ✚ Internal Audit;
- ✚ Managers;
- ✚ Officers;
- ✚ A-FACT hotline;
- ✚ Anonymous letters;
- ✚ Whistleblowing Policy.

## **Investigation of Fraud and Irregularity:**

The Anti-Fraud and Corruption Team investigates all fraud and irregularity reported to the Council. All members of A-FACT are accredited counter-fraud officers. The Team encompasses Special Investigations and Housing Tenancy Investigations. The team will utilise all methods available to detect and investigate fraud. This includes data matching, open source research, surveillance and intelligence led investigation

The Team undertakes all investigations in accordance with the requirements of the following legislation:

- ✚ Human Rights Act 1998,
- ✚ Data Protection Act 2018,
- ✚ Criminal Procedures and Investigation Act 1996,
- ✚ Regulation of Investigatory Powers Act 2000,
- ✚ Police and Criminal Evidence Act 1984,
- ✚ Internal Procedures as appropriate.

The Team liaises with external bodies such as:

- ✚ Police,
- ✚ Cabinet Office
- ✚ Department for Works and Pensions
- ✚ Home Office
- ✚ HM Revenues and Customs
- ✚ Other local authorities and Public Bodies

The Team will also liaise with other enforcement teams within the Council as appropriate.

## **Report a fraud or irregularity:**

### **Internal referrals:**

Please raise your concerns with your line manager or their line manager. If you are unable to do this please contact the A-FACT Manager directly on **020 8314 7909** or **carol.owen@lewisham.gov.uk**. All referrals will be treated confidentially.

### **External Referrals:**

If you wish to report a fraud please contact us

**Fraud Hotline no: 0800 0850119**

Or

**Email A-FACT on 'reportfraud@lewisham.gov.uk'.**

Or

**Write to the**

**A-FACT Manager**

**London Borough of Lewisham**

**4<sup>th</sup> Floor, Laurence House**

**Catford, SE6 4RU**

All referrals are treated confidentially,

### **Conclusion:**

Lewisham Council is committed to an anti-fraud culture, it expects the highest standards from all Members, Officers, Agency Workers, Consultants and Contractors.

However, the prevention and detection of fraud and corruption is everyone's responsibility, therefore we must ALL





## Audit Panel

### Internal Audit Charter and Internal Audit Progress Update

**Date:** 8 September 2022

**Key decision:** No.

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Rich Clarke, Head of Assurance

### Outline and recommendations

The Internal Audit Charter is a formal document that translates the principles and objectives of the Public Sector Internal Audit Standard into their local application. It is a key document in providing internal audit with the authority to conduct its work and so requires annual endorsement from Members.

The 2022 Charter is a complete refresh of the document reflecting the broader role of the new Head of Assurance. In particular, the Charter discusses arrangements for ensuring continued independence and objectivity in providing assurance on areas where the Head of Assurance has a direct managerial role.

The report also includes an update on progress of the internal audit service. This includes the conclusion of 2021/22 work and plans to undertake a significant quality assurance piece on current outstanding actions before embarking on a revised approach to follow-up.

We ask that Members **approve** the Internal Audit Charter.

We ask that Members **note** the Internal Audit Progress Update.

### Timeline of engagement and decision-making

**23 June 2021:** Existing Internal Audit Charter approved.

**24 August 2022:** Updated Charter discussed in Directorate Management Team.

**8 September 2022:** Updated Charter presented to Audit Panel for approval.

## 1. Summary

- 1.1 To conform with Public Sector Internal Audit Standards (the “Standards”) each internal audit service must have a Charter. This document sets out how certain questions of Standards application that are left to individual organisations to determine will function, as well as providing a high-level statement on the position and authority of internal audit. The Standards require that the Charter undergoes periodic review and approval by Senior Management and Members.
- 1.2 The current Internal Audit Charter was approved by this Panel in June 2021. That document was a brief overview that omitted some Standards requirements and did not fully address how to maintain the service’s independence. In part this will have been due to the then Head of Audit being seconded from an external firm, which presents those independence and organisational questions in a different context. Now, the Chief Audit Executive role is held by the Head of Assurance, who also has operational responsibility for insurance, risk management, counter fraud and corporate health & safety. The role being a permanent post with a wider responsibility creates an opportunity to revisit the Charter entirely to ensure Standards compliance and fit with the permanent structure of the service.
- 1.3 This report also provides an update on the work of the Internal Audit service as we close 2021/22 and move onto 2022/23. It details a significant piece of work for 2022/23 in undertaking a quality assurance check on outstanding actions before embarking on a revised approach to following up. This revised approach will see internal audit becoming more active in supporting fulfilment, while ensuring responsibility for implementation remains with the appropriate service managers..

## 2. Recommendations

- 2.1 The Audit Panel **approves** the Internal Audit Charter.
- 2.2 The Audit Panel **notes** the Internal Audit Service Progress Update.

## 3. Policy Context

- 3.1 This report is consistent with the Council’s policy framework, supporting the priorities set out in the Corporate Strategy 2018-22. It helps towards all the Council’s priorities through supporting efficient and effective governance.

## 4. Background

- 4.1 The Standards (Standard 1000) require that each internal audit service must have an approved Charter:

*“The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter consistent with [Standards]. The [Head of Audit] must periodically review the charter and present it to senior management and the board for approval.”*

- 4.2 There are a number of specific requirements particular to the public sector:
  - Define the terms ‘board’ and ‘senior management’ for the purposes of the internal audit activity (see Charter Section 9)
  - Cover the arrangements for appropriate resourcing (see Charter Sections 3.3, 3.4 and 6.1)
  - Define the role of internal audit in any fraud-related work (see Charter section 5.5), and
  - Describe safeguards to limit impairments of independence or objectivity if internal audit

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or the chief audit executive undertakes non-audit activity (see Charter Section 4)

- 4.3 The [existing Charter](#) approved in June 2021 describes a service led by a secondee from an external firm, as was then the case. This meant the Charter left out a number of crucial requirements, most especially the arrangements to handle situations where the wider role of the Head of the service provides a challenge to its independence and objectivity.

## 5. Revised Internal Audit Charter

- 5.1 The full proposed Charter is at **Appendix A**. The need for a new Charter was identified in the Annual Report for 2021/22, presented to Members in [June](#) this year. Below extracts the relevant section from that report.

*The seconded Head of Internal Audit until January 2022 was completely free of operational responsibility for any service which was (or could be) subject to audit review. The position is slightly more complex after January 2022 as the new Head of Assurance has, as well as internal audit, operational responsibility for the Anti-Fraud and Corruption Team, the Insurance and Risk Management service and (from June 2022) the Corporate Health and Safety Team.*

*For 2022/23 onwards we will address any independence conflicts through a revised Internal Audit Charter that will come to this Panel for approval in the Autumn. It is likely that Charter will seek independent reviews for areas also within the Head of Assurance's purview, including potentially peer-group arrangements set up by the London Audit Group.*

- 5.2 Aside from providing comprehensive Standards conformance, the refreshed Charter has some specific additions and amendments to draw to your attention.
- Section 3.4: Which sets out the role of the Audit Panel. These roles are consistent with the Panel's terms of reference and the Standards and are, in essence, tasks designed to ensure Internal Audit can maintain appropriate status within the organisation and independence from management. This includes contributing feedback about the performance of the Head of Assurance and the internal audit service.
  - Section 3.5: Which sets out the right for independent meetings between the Audit Panel and internal audit.
  - Section 4. Which describes a range of possible measures to address independence threats caused by examining areas where the Head of Assurance has operational responsibility. Broadly, the Charter sets out a case-by-case approach with specific approaches to be endorsed by the Audit Panel as part of the audit plan. Examples might be commissioning work from a third party firm at cost, from another local authority on an exchange basis or having internal work overseen or peer reviewed by another Head of Audit.
  - Section 5.5. Which clarifies the principal counter-fraud role in the Council sits with the Anti-Fraud and Corruption Team.
  - Section 6. Which sets out the responsibilities of the Head of Assurance. This includes keeping the plan responsive to changing risks, communicating any significant plan changes to the Audit Panel. Also to ensure the service maintains appropriate procedures and quality standards.
- 5.3 The Charter does not propose any significant changes to the service's current operations. Rather, this document codifies those arrangements, setting out clearly internal audit's purpose, authority and responsibility.

## 6. Internal Audit Service Update

### Concluding 2021/22

- 6.1 At the time of concluding the 2021/22 annual report there were a number of engagements not complete. In all cases we had completed the fieldwork and so had full oversight of the issues raised by the audit, but were typically awaiting a few items to conclude or responses to a draft report. The table overleaf sets out the final conclusions of this work. We still have a few school audits outstanding on account of their not having staff over the summer to respond to a draft report. I will finalise our 2021/22 reporting in the next update to this Panel.

### Beginning 2022/23

- 6.2 We have started work towards completing the 2022/23 Audit Engagement plan. Mindful of upcoming changes to the team's structure (see below) our focus has been on planning out audits so new starters have work to begin immediately. Therefore we are not expecting to bring any engagements to full conclusion until later in the autumn. However, the following 2022/23 engagements are underway:

- Contract Procurement
- Contract Management
- Section 106 / Community Infrastructure Levy Payments
- Flood Management
- Elections
- Parking & Moving Vehicle Enforcement
- Bereavement Services
- IT Asset Management
- Wearside Depot Operations
- Key Financial Controls (part contracted to PWC)
- IT Network Infrastructure (contracted to PWC)

### Audit Team Update

- 6.3 Inbetween writing and presenting this report the audit team will be joined by three new starters. These fill existing vacancies within the team and will double the number of operational auditors available to complete the plan. The first to join is our new Principal Auditor who is on the brink of completing a Level 7 Apprenticeship that will leave them a fully-qualified internal auditor.
- 6.4 We also successfully recruited through the apprenticeship scheme discussed in June's update. The scheme, that Lewisham joined alongside four other London Boroughs, received 79 applications for the 9 posts on offer. There was an extremely high standard of applicants and I'm pleased to report we were able to fill the posts. Our two apprentices, both Lewisham residents, begin work with us on 5 September and start at college later in the month. The two-year scheme will leave them with a certificate in Internal Audit, eligibility to seek the recognised 'Certified Internal Auditor' qualification and valuable workplace experience.

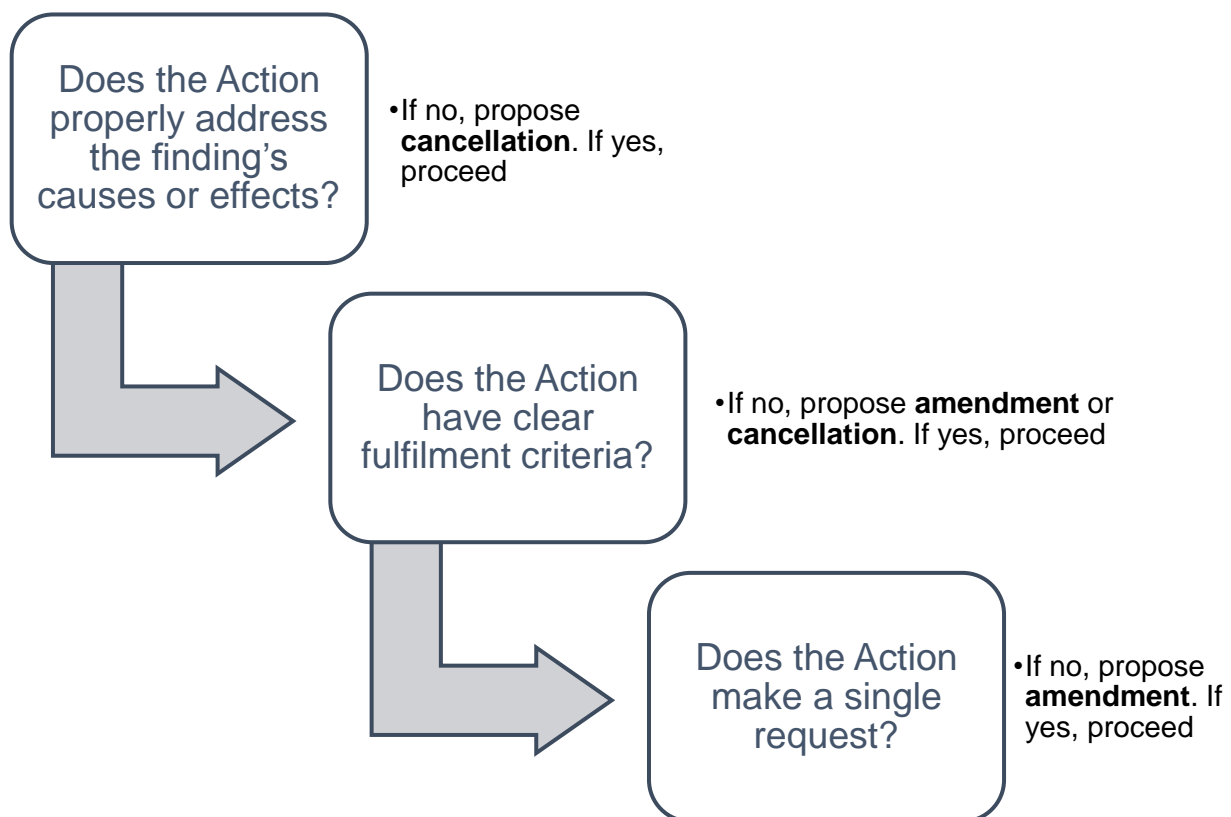
## Internal Audit Engagements 2021/22

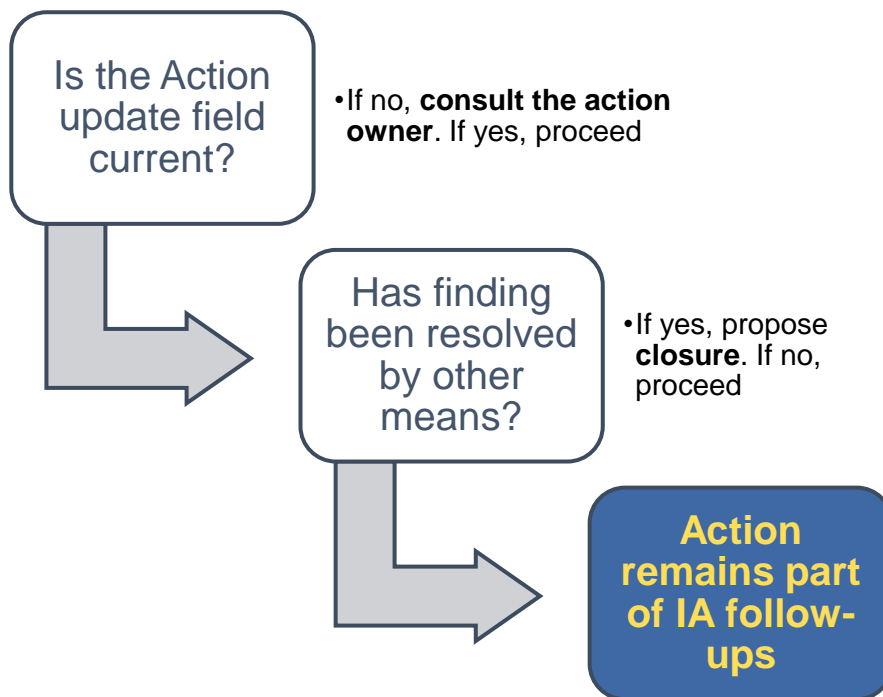
Ref	Title	Findings Summary	Assurance Rating	Report Date	Notes
<b>2021/22 Engagements In Progress at time of 2021/22 Opinion Reporting [20]</b>					
21/22-12	Grinling Gibbons Primary School	3 x <b>Med</b> , 6 x <b>Low</b>	Satisfactory	Jul-22	
21/22-13	Haseltine Primary School	1 x <b>Low</b>	Substantial	Jul-22	
21/22-16	Kelvin Grove Primary School	4 x <b>Med</b> , 2 x <b>Low</b>	Substantial	Jul-22	
21/22-43	Council Tax Reduction Scheme	None	Substantial	Jul-22	
21/22-59	Asset Management	2 x <b>Med</b> , 2 x <b>Low</b>	Satisfactory	Jul-22	
21/22-64	Fairlawn Primary School	3 x <b>Med</b> , 1 x <b>Low</b>	Substantial	Jul-22	
21/22-37	Homelessness	N/A	N/A	Aug-22	See note 1, below
21/22-51	Child Safeguarding – QA Arrangements	4 x <b>Med</b> , 3 x <b>Low</b>	Satisfactory	Aug-22	
21/22-54	Payroll	4 x <b>Med</b> , 3 x <b>Low</b>	Satisfactory	Aug-22	
21/22-32	IT Security Arrangements	1 x <b>High</b> , 1 x <b>Med</b>	Satisfactory	Sep-22	
21/22-44	Banking	Draft Report	Finalisation deferred to allow finance team focus on system and external audit.		
21/22-46	Budget Mgmt – Community Services	Draft Report			
21/22-09	Eliot Bank Primary School	Draft Report	Awaiting return of schools in September to finalising reporting.		
21/22-15	John Ball Primary School	Draft Report			
21/22-17	New Woodlands Primary School	Draft Report			
21/22-10	Gordonbrock Primary School	Draft Report			
21/22-25	St Winifred's Catholic Primary School	Draft Report			
21/22-26	Our Lady and Philip Nery Catholic Primary	Draft Report			
21/22-19	Sir Francis Drake Primary School	Draft Report			
21/22-04	Brent Knoll Special School	Draft Report			

**Note 1:** We originally published the draft report on *Homelessness* in January 2022 following fieldwork in October-November 2021. For various reasons, the report was not put to final until July 2022 by which point the service had taken significant steps to alter its processes such that the report's original findings and conclusions no longer held the same salience. I took the view that publishing the report now with an assurance rating derived from work that historic would be misleading. Consequently, we published the final report without an assurance update and with additional information on how the service had developed.

## 7. Agreed Action Follow Up

- 7.1 Currently there are **117** open High (57) and Medium (60) priority actions. When compared with their original due date (that is, the date agreed when publishing the final report) these break down as:
- **10** are not yet due (3 high, 7 medium)
  - **10** are overdue by 3 months or less (3 high, 7 medium).
  - **20** are overdue by 3-6 months (10 high, 10 medium)
  - **55** are overdue by 6-12 months (35 high, 20 medium)
  - **22** are overdue by more than one year (4 high, 18 medium). The oldest was due on 31 December 2019.
- 7.2 Our previous approach has strongly emphasised the role of the action owner in driving implementation with internal audit's role primarily administrative. While this has merit in making roles clear it has, demonstrably, led to some drift. This is especially so as action owners have had the facility to update due dates for changing circumstances, leading to some confusion at what point it is proper to describe an action as 'overdue'. Spot check quality assessment on the actions also suggests the approach may have led to some actions being agreed more for administrative convenience than their capacity to bring about genuine, lasting improvement.
- 7.3 Therefore, before embarking on our new approach we will undertake a comprehensive quality assurance check on the existing action stock. This check will involve asking a number of questions of each action, as below:





7.4 Our aim will be to bring a robust set of remaining actions into Q4. This will coincide with implementation of the latest version of our audit software that will allow action owners (and other interested parties) to review actions directly and provide updates. The software will also permit a degree of automation in monitoring, allowing us to focus on working with action owners on higher risk and more delayed actions.

## 8. Financial implications

8.1 The Internal Audit Charter proposes no new work. All safeguards proposed will work within agreed budgets.

## 9. Legal implications

9.1 There are no legal implications arising direct from this report.

## 10. Equalities implications

10.1 There are no equalities implications arising direct from this report.

## 11. Climate change and environmental implications

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

## 12. Crime and disorder implications

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

## 13. Health and wellbeing implications

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

## 14. Background papers

14.1 There are no relevant background papers not otherwise referenced direct in the report.

## **15. Report author and contact**

15.1 For any queries on the report please contact Rich Clarke, Head of Assurance on 020 8314 8730 or by email at [rich.clarke@lewisham.gov.uk](mailto:rich.clarke@lewisham.gov.uk).

## **16. Appendices**

- Appendix A – Full revised Internal Audit Charter.

**Is this report easy to understand?**

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# Internal Audit Charter

## 1. Purpose and Mission

- 1.1 The purpose of Lewisham Council's (the "Council") internal audit service is to provide independent, objective assurance and consulting services designed to add value and improve the Council.
- 1.2 The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 1.3 The internal audit service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes.

## 2. Standards for the Professional Practice of Internal Auditing

- 2.1 The internal audit service will govern itself by adherence to the mandatory elements of [The Institute of Internal Auditors' International Professional Practices Framework](#) (the IPPF). This includes the Core Principles for the Professional Practice of Internal Auditing, the [Code of Ethics](#), and the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The **Head of Assurance** will report periodically to the **Executive Management Team** and the **Audit Panel** regarding the internal audit service's conformance to the Code of Ethics and the *Standards*.
- 2.2 Specifically, the internal audit service works to the [Public Sector Internal Audit Standards](#) (the "Standards"). These *Standards*, which are based on the mandatory elements of the IPPF, exist to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. The internal audit service further adheres to [CIPFA's Application Note](#) which includes additional requirements specific to the Local Government Sector.

## 3. Authority

- 3.1 The principal authority for internal audit at the Council comes from the [Accounts and Audit Regulations 2015](#). In particular [Regulation 5](#) which demands:

"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

- 3.2 The **Head of Assurance** will report functionally to the **Audit Panel** and administratively to the Executive Director for Corporate Resources.
- 3.3 To establish, maintain and assure that the Council's internal audit service has sufficient authority to fulfil its duties, the Executive Director for Corporate Resources will, on behalf of and in consultation with the **Executive Management Team** as required:

- Approve the internal audit service’s Charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit service’s budget and resource plan.
- Receive communications from the **Head of Assurance** on the internal audit service’s performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the **Head of Assurance**, after consultation with the **Audit Panel**.
- Conduct performance appraisals of the **Head of Assurance**, after consultation with the **Audit Panel**.
- Make appropriate enquiries of the **Executive Management Team** and the **Head of Assurance** to determine whether there are inappropriate scope or resource limitations.

3.4 To establish, maintain and assure that the Council’s internal audit service has sufficient authority to fulfil its duties, the **Audit Panel** will:

- Approve the internal audit service’s Charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit service’s budget and resource plan.
- Receive communications from the **Head of Assurance** on the internal audit service’s performance relative to its plan and other matters.
- Respond to requests for information from the Executive Director of Corporate Resources to inform performance appraisals or other personnel decisions regarding the **Head of Assurance**.
- Make appropriate enquiries of management and the **Head of Assurance** to determine whether there are inappropriate scope or resource limitations.

3.5 The **Head of Assurance** will have unrestricted access to, and communicate and interact directly with, the **Audit Panel**, including in private meetings without management present.

3.6 The **Audit Panel** and the Executive Director of Corporate Resources on behalf of the **Executive Management Team** authorise the internal audit service to:

- Have full, free and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information. Noting that this power also derives from [Regulation 5\(2\) of the Accounts and Audit Regulations 2015](#).
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the Council, as well as other specialised services from within or outside the Council, to complete the engagement.

## 4. Independence and Objectivity

4.1 The **Head of Assurance** will ensure that the internal audit service remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope,



procedures, frequency, timing, and report content. If the **Head of Assurance** determines that independence or objectivity may be impaired in fact or appearance, they will disclose impairment details to appropriate parties.

- 4.2 Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.
- 4.3 Internal auditors will have no direct operational responsibility or authority over audited activities. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement, including:
- Assessing specific operations for which they had responsibility in the previous year.
  - Assessing any operations for which they had any managerial responsibilities at the Council.
  - Performing any operational duties for the Council or its affiliates, save those associated directly with the internal audit service.
  - Initiating or approving transactions external to the internal audit service.
  - Directing the activities of any Council officer or contractor not employed by the internal audit service, except to the extent that such people have been appropriately assigned to auditing teams or otherwise to help internal auditors.
- 4.4 Where the **Head of Assurance** has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 4.5 Currently, aside from the internal audit service, the **Head of Assurance** has oversight of the following areas:
- **Anti-Fraud and Corruption Team.**  
Prevention, detection and investigation of fraud & corruption within and against the London Borough of Lewisham. Prevention, detection and investigation of social housing fraud on behalf of Lewisham Homes and a number of local RSLs. Pre-employment vetting for potential employees of Lewisham Council & Lewisham Homes. Monitoring of Declarations of Interest for Council employees.
  - **Insurance & Risk Management Team.**  
The Insurance & Risk Management Team is responsible for arranging and administering all of the Council's insurance and managing all claims made by or against the Council under the insurance arrangements. The Team is also responsible for leading and coordinating the Council's enterprise risk management processes.
  - **Corporate Health & Safety Team.**  
The Corporate Health & Safety team help the Council meet its legal obligations in keeping people safe and healthy at work.

4.6 The following additional and alternative steps will feature in the audit approach to maintain independence and objectivity for these areas:

- At Audit Planning stage, other officers within the audit service will complete risk assessments. There will be a general assumption that, where planning risk criteria are met, engagements in these areas will be longlisted in the audit plan and, at minimum, form part of the consultative plan shared with the **Executive Management Team**.
- At Audit Engagement stage, various approaches will be considered depending on the nature of the engagement. These may include having work undertaken by officers of the internal audit service overseen by a Chief Audit Executive of another London borough or assigning the work entirely to auditors from an external body or professional audit firm.

4.7 The specific safeguards will be disclosed in the annual audit plan and subject to agreement of the **Audit Panel** before implementation. Where the safeguards rely on assistance from another London Borough, the Council will offer similar (but not reciprocal) services that will also be disclosed in the annual audit plan.

4.8 Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the examined activity or process.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their interests or others in forming judgements.

4.9 The **Head of Assurance** will confirm to the **Audit Panel**, at least annually, the organisational independence of the internal audit service.

4.10 The **Head of Assurance** will disclose to the **Audit Panel** any interference and related implications in determining the scope of internal auditing, performing work and/or communicating results.

## 5. Scope of Internal Audit Activities

5.1 The scope of the internal audit activities encompasses, but is not limited to, objective examinations of evidence to provide independent assessments to the **Audit Panel**, management and outside parties on the adequacy and effectiveness of governance, risk management and control processes for the Council. Internal audit assessments include evaluating whether:

- Risks relating to achieving the Council's strategic objectives are appropriately identified and managed.
- The actions of the Council's officers, directors, employees and contractors comply with the Council's policies, procedures and applicable laws, regulations and governance standards.

- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

5.2 The **Head of Assurance** will report periodically to **Executive Management Team** and the **Audit Panel** regarding:

- The internal audit service's purpose, authority and responsibility.
- The internal audit service's plan and performance relative to its plan.
- The internal audit service's conformance with The IIA's Code of Ethics and *Standards* and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including any fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Panel.
- Results of audit engagements and other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Council.

5.3 The **Head of Assurance** also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit service may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit service does not assume management responsibility.

5.4 Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

5.5 The internal audit service adheres to *Standards 1210.A2* in having an awareness of fraud when undertaking its work. However, the primary responsibility for preventing, detecting and investigating fraud at the Council rests with the Anti-Fraud and Corruption Team.

## 6. Responsibility

6.1 The **Head of Assurance** has the responsibility to:

- Submit, at least annually, a risk-based internal audit plan for review and approval to senior management and the **Audit Panel**.
- Communicate to the **Executive Management Team** and the **Audit Panel** on the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.

- Communicate to senior management and the **Audit Panel** any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including establishing objectives and scope, assigning appropriate and adequately supervised resources, documenting work programs and testing results, and communicating engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to **Executive Management Team** and the **Audit Panel** any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit service collectively possesses or obtains the knowledge, skills and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact the Council are considered and communicated to senior management and the **Audit Panel** as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures to guide the internal audit service.
- Ensure adherence to the Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or communicated to senior management and the **Audit Panel**.
- Ensure conformance of the internal audit service with the *Standards*

## 7. Quality Assurance and Improvement Program

- 7.1 The internal audit service will maintain a quality assurance and improvement program that covers all aspects of the internal audit service. The program will include an evaluation of the internal audit service's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the internal audit service's efficiency and effectiveness and identify improvement opportunities.
- 7.2 The **Head of Assurance** will communicate the **Executive Management Team** and the **Audit Panel** on the internal audit service's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council.

## 8. Approval Signatures

CHIEF AUDIT EXECUTIVE

AUDIT PANEL CHAIR

EXECUTIVE DIRECTOR OF CORPORATE RESOURCES

## 9. Definitions

**The Head of Assurance** fulfils the role of “Chief Audit Executive” as set out in *Standard 1000*.

**The Executive Management Team** fulfils the role of “Senior Management” as set out in the Public Sector Requirement of *Standard 1000*.

**The Audit Panel** fulfils the role of the “Board” as set out in the Public Sector Requirement of *Standard 1000*.

# Agenda Item 5



## Audit Panel

**Report title: Statement of Accounts 2021/22 & External Audit Update**

**Date:** 08 September 2022

**Key decision:** No.

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Executive Director of Corporate Resources

### Outline and recommendations

The purpose of this report is to:

- Provide an update to the members of the Audit Panel on the 2021/22 Statement of Accounts and progress with the statutory external audit processes.
  - Provide an update on the recommendations to the Action Plan and VFM recommendations 2020/21.

## **1. Summary**

- 1.1. The purpose of this report is to provide an update to the members of the Audit Panel on 2021/22 Statement of Accounts and statutory external audit processes.
- 1.2. The report also provides members with the management action responses to the auditor recommendations made as part of the 2020/21 external audit as well as those included within the Auditor's Annual (Value for Money) report.

## **2. Recommendations**

- 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. 2021/22 Statement of Accounts Update**

- 4.1. The Department for Levelling Up, Housing and Communities published on 16 December 2021, measures to support the timely completion of local government audits. This included extending the deadline for preparing draft accounts to 31 July 2022 and publishing audited accounts to 30 November 2022 for 2021/22 accounts.
- 4.2. Lewisham Council successfully published the draft 2021/22 Statement of Accounts on 29 July 2022, the Pension Fund Accounts on 24 August 2022 and are working to publish audited accounts by 30 November 2022.
- 4.3. The statutory public inspection is open until 09 September 2022 for the Statement of Accounts and 04 October 2022 for the Pension Fund Accounts.
- 4.4. The final audit is underway with sampling selected for income, expenditure, cut off and banking. Weekly meetings will commence from September to ensure queries are resolved timely.
- 4.5. It is expected that the final audit will be substantially complete with an addendum for the Audit Panel on 09 November. This will allow the accounts to be presented to Council on 23 November 2022 for approval before publication.
- 4.6. There is a significant risk on infrastructure assets. CIPFA has established a Task and Finish Group to address the issues around derecognition of parts of infrastructure assets following 'replacement' expenditure. An update to the accounting code is being considered. Subject to approval, it is anticipated that the update to the Code will be available mid-September 2022. The external audit of the Statement of Accounts cannot be finalised until this issue is resolved.

## **5. 2020/21 Audit Findings Report**

- 5.1. The Audit Findings Report for London Borough of Lewisham and Lewisham Pension Fund for the year ended 31 March 2021, included an action plan. This consisted of a number of recommendations for the Council as a result of issues identified during the course of the 2020/21 audit.
- 5.2. Progress on these recommendations is included within Appendix A.

## **6. 2020/21 Auditor's Annual Report (VfM) Report**

- 6.1. Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 the Council's appointed external auditors, currently Grant Thornton, are required to satisfy themselves that the Council has made proper arrangements for securing the economy, efficiency, and effectiveness of the use of its resources.
- 6.2. For Lewisham Council the auditors reported on the risks assessed in respect of: 1) Financial sustainability; 2) Governance; and 3) Improving VfM. The annual report for the 2020/21 findings identified thirteen recommendations.
- 6.3. Progress on these recommendations is included within Appendix B.

## **7. Financial implications**

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

## **8. Legal implications**

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

## **9. Equalities implications**

- 9.1. There are no equalities implications directly arising from this report.

## **10. Climate change and environmental implications**

- 10.1. There are no climate change and environmental implications directly arising from this report.

## **11. Crime and disorder implications**

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

## **12. Health and wellbeing implications**

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

## **13. Report authors and contact**

- 13.1. David Austin, Director of Finance, 020 8314 9114, [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)
- 13.2. Sofia Mahmood, Chief Accountant, 020 8314 3684, [sofia.mahmood@lewisham.gov.uk](mailto:sofia.mahmood@lewisham.gov.uk)

## **14. Appendices**

- 14.1. Appendix A – Action Plan Recommendations - Audit Findings Report for London Borough of Lewisham and Lewisham Pension Fund for the year ended 31 March 2021
- 14.2. Appendix B - Auditor's Annual Report (VfM) Recommendations for the year ended 31 March 2021



Appendix A

The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2021

Action Plan – Audit of Financial Statements – Council

Assessment	Issue and Risk	Recommendations	Management Action
High	<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"> <li>• Insufficient evidence over the completeness and accuracy of data migration of the payroll system</li> <li>• Absence of formally approved project related documentation</li> <li>• Lack of formal approval by management on IT policy</li> <li>• Lack of formal review of audit logs</li> </ul>	<p>Management should implement the recommendations raised in the IT General controls report</p>	<p>These are provided in detail within The IT Audit Findings report. In summary; it is recognised that although reconciliations and approvals were carried out, there was no single repository of project documentation to evidence this. This has now been implemented through the corporate Project Management Office, with all significant projects now having a dedicated repository in MS Teams.</p> <p><b>Subject to external audit’s review, this action is proposed to be closed as completed.</b></p>
Medium	<p>Our review of your fixed asset register identified 123 assets that have a Net Book Value of nil. You should undertake an exercise to verify that these assets still exist. If the Council are still using the assets they will need to determine whether the current depreciation policy is appropriate.</p>	<p>Management should undertake a review of all assets that have a nil Net Book Value. You will need to review whether these are assets are still in use and if so whether your depreciation policies are appropriate. This is unlikely to give rise to a material misstatement in depreciation.</p>	<p>The current accounting policy for depreciation of vehicles, plant and equipment is a range of 5 to 40 years. A review of all assets with a nil value has been undertaken with a working paper to support officers’ assessments. If, following this work, this issue remains an audit concern the Council will review the accounting policies as part of the review required with changes to prudential borrowing guidance. There may also be additional issues as a result of the national review of infrastructure asset valuations. This will be covered within 2021/22 Statement of Accounts &amp; Audit.</p> <p><b>Subject to external audit’s review, this action is proposed to be closed as completed.</b></p>

Appendix A

The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2021

Action Plan – Audit of Financial Statements – Council

Assessment	Issue and Risk	Recommendations	Management Action
Medium	<p>The school bank account reconciliations provided to audit were not reconciled to the bank statement as at 31 March 2021. There was a subsequent delay in providing the audit team with appropriate year end reconciliations.</p> <p>Our review of the Eurobank reconciliation also identified a trivial unreconciled difference of £7,082 between the trial balance and the ledger which management have not been able to explain.</p>	<p>Management should provide complete reconciliations that reconcile the schools ledger balance to the bank statement as at 31 March 2021. Evidence for any reconciling items should be retained as part of the evidence submitted to audit.</p>	<p>The request for school bank account reconciliations has been incorporated into the revised schools closing templates and documentation. Training has been delivered by the Service Finance team to ensure schools are familiar with their responsibilities.</p> <p>There were varying degrees of compliance with the new process and the Service Finance were required to provide a significant amount of in depth support.</p> <p>Reconciliations were carried out between the school bank accounts and bank statements by Service Finance.</p> <p>A lessons learnt session will be held with schools and additional training provided in Autumn to embed the new ways of working.</p> <p><b>The next steps are;</b>                      October 22: Lessons Learnt session with Schools to improve Schools-led reconciliations                      January 23: 2022/23 year-end guidance circulated                      February 23: Additional training provided to Schools</p> <p>The exchange rate applied to the balance in 2020/21 was incorrect, which cause the balance. This has now been corrected.</p> <p><b>Subject to external audit’s review, this action is proposed to be closed as completed.</b></p>
Low	<p>Our review of the bank reconciliation for the image pay bank payment account identified several cheques that are over 6 months old which have not been stopped. These should be stopped and written back.</p>	<p>Management should review and stop all out dated cheques.</p>	<p>A process does exist to stop cheques where this is specifically requested. A regular review is required to ensure that all cheques over 6 months are stopped as part of business as usual. This is being undertaken every 3 months. At the last review in August 2022 the cash team confirmed there were no cheques outstanding over six months old.</p> <p><b>Subject to external audit’s review, this action is proposed to be closed as completed.</b></p>

Appendix A

The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2021

Action Plan – Audit of Financial Statements – Council

Assessment	Issue and Risk	Recommendations	Management Action
Medium	You had difficulties in providing us with evidence to support the accounting entries within Receipts in Advance and Creditors associated with your Section 106 agreements.	Management need to review all Section 106 agreements to ensure you are appropriately recording and tracking the receipt and expenditure associated with these agreements. Management need to fully reconcile the Section 106 recording system (Exacom) to the ledger on an agreement by agreement basis.	A comprehensive review has been undertaken; matching Exacom (the planning system used to record s106 transactions) entries to Oracle ledger receipts, project usage and associated conditions. This will continue throughout 2022/23 to provide additional accuracy. The ongoing process is also being reviewed to ensure the relevant information is recorded and tracked to allow accurate representation within the Statement of Accounts. <b>The next step is to provide this review and supporting working papers for audit to support the 2021/22 financial statements.</b>
Medium	During our walkthrough of the schools expenditure process we identified that there is currently no reconciliation between the school finance reports used to journal the data in to the ledger and the source date (i.e. bank reconciliation or the school payroll reports)	Management should reconcile the schools finance reports to source data prior to journaling the entries into the ledger.	The schools closing documentation has been revised to request assurances of reconciliations between cash book and school balances before processing into Oracle. This is also referred to within the Council’s year-end guidance notes. Training has been delivered by the Service Finance team to ensure schools are familiar with their responsibilities. As noted for the related year-end recommendation, there were varying levels of compliance and so a lessons learnt session will be delivered and additional training provided. <b>The next step is to provide the reconciliation and supporting working papers for audit to support the 2021/22 financial statements.</b>
Medium	Our review of 20/21 starters identified that HR were not receiving signed contract from new employees	Management should obtain and retain signed and dated contracts of employment for all staff.	The Resourcing department requests signed contracts from new employees as part of the induction process. The current process does not allow for a retrospective review of returned contracts as the process is manual and so difficult to manage.  A new recruitment platform is being developed which will include digital signage for employment contracts. This is due to be implemented in December -22

Appendix A

The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2021

Action Plan – Audit of Financial Statements – Council

Follow up of prior year recommendations

Issue and Risk previously communicated	Update on actions taken to address the issue	Management Action
<p>Our sample cut off testing from bank statements in April and May 2020 identified 4 expenditure items totalling £175k that related to 2019/20 that had not been accrued. This error extrapolated to £1,811k</p> <p>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 testing and did not find any more errors. This error extrapolated to £4,824k.</p> <p>Your cut off procedures need strengthening to ensure that expenditure is coded in the year which it related.</p>	<p>The Council had undertaken a more robust review of cut off arrangement in 2020/21. However, our testing identified 3 items that were paid in April / May that related to the 2020/21 year that had not been accrued for. One of these items was for £524k.</p>	<p>The Council’s year-end guidance notes have been updated and highlight the importance of cut-off testing.</p> <p>Income and expenditure has been reviewed for April and May 2022 is in progress.</p> <p>Several items have been identified which were subsequently accrued / removed as a duplicate.</p> <p><b>This will also be tested as part of the 2021/22 audit work.</b></p>

Appendix A

The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2021

Action Plan – Audit of Financial Statements – Pension Fund

Assessment	Issue and Risk	Recommendations	Management Action
Medium	<p>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.</p>	<p>Management should reconfigure the ledger so that it is in line with external reporting and minimises (or eliminates) the need for manual adjustments.</p>	<p>The work with Northern Trust to match their transactions to Lewisham’s Pension ledger codes was unsuccessful. There are 51,000 transactions for 2021/22 from Northern Trust and they did not have the resources to be able to reliably provide the data in time.</p> <p>The Council has taken another service provided by Northern Trust where they provide the investment fund movements through their own ledger and they provide many of the notes to the accounts. The 51,000 transactions have been reconciled to the accounts and this information is being used in conjunction with the Council’s own ledger to produce the pension accounts.</p> <p>Other London authorities use the accounts service of Northern Trust and they have offered to assist the auditors to provide the back-up information.</p> <p>The draft pension accounts for 2021/22 have now been produced and published.</p>
Medium	<p>Our testing of Admitted and Scheduled bodies’ monies identified an absence of monthly reconciliations of remittances made by admitted and schedules bodies to expected receipts and to posting on the ledger.</p> <p>In addition, there was no reconciliation of monthly payroll contribution data from the Administering Authority (Council) to posting in ledger.</p>	<p>Management should reconcile contributions income received by admitted and schedules bodies from the bank account to the ledger. A monthly reconciliation of contributions from the administering authority payroll records to the ledger also needs to be undertaken.</p>	<p>The reconciliation is now undertaken timely and reviewed regularly.</p> <p><b>Subject to external audit’s review, this action is proposed to be closed as completed.</b></p>

Appendix A

The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2021

Action Plan – Audit of Financial Statements – Pension Fund

Follow up of prior year recommendations

Issue and Risk previously communicated	Update on actions taken to address the issue	Management Action
<p>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.</p>	<p>Not yet implemented. The fund is undertaking a significant number of mandate changes and transition of funds. The team is also experiencing significant personnel changes currently which has slowed plans for this work. This action will be picked up once the above are stabilised.</p>	<p>Northern Trust have agreed to amend the data they provide so that it is in line with the Oracle coding structure. This will result in far less manual adjustments being required.</p> <p><b>This legacy action is responded to and being tracked above in respect of the 2020/21 audit finding and recommendation above.</b></p>

Ref	Category	Issue and Risk	Responsible Officer	Management Action
1	Financial Sustainability	The Council should continue its work in enhancing the understanding of the costs of general fund placements and Education Dedicated Support Grant related Education Health and Care Plans and Special Educational Needs and Disability costs across the Children and Young People Directorate. This work should lead to more accurate financial forecasting as well as assisting with developing interventions that benefit children to live more independently in the longer term.	Director of Education Services	Members of the SEND service are currently working with finance colleagues on developing a more sophisticated placement/cost database to be able to make reasonable calculations and assumptions to generate profiles by age/ need/type of provision/in and out of borough placement etc. This will enable us to identify profiles of spend and numbers of children receiving support, to identify biggest impact areas based on opportunity for improvement and feasibility.
2	Financial Sustainability	Budget Monitoring reports should clearly articulate the underlying causes for the under delivery of savings plans. Actions taken to address under delivery or proposed alternative plans should also be detailed within the report.	Director of Finance	The budget monitoring process monitors the service's financial position to date and forecasts this forward for the rest of the year in comparison to the budget. If the services are under/overspending against the budget this is reported as part of the monthly monitoring report which goes to EMT. Within this report there is a section focussed specifically on savings progress and where services are struggling to deliver savings; finance and the services work collaboratively to find ways to mitigate/deliver them in alternative ways. Any undeliverable savings which cannot be mitigated are included within the reported financial position for each service area with an explanation of what is causing them to not be delivered. A further section in the report covers financial risks which are not within the reported position but may materialise over the forthcoming financial year.

Ref	Category	Issue and Risk	Responsible Officer	Management Action
3	Financial Sustainability	Complete the re-organisation of [adult] social care work and focus on continuing to improve the systems used by social care staff.	Director of Adult Social Care	<p>The review of Adult Social Care was requested by the Public Accounts Select Committee on 3<sup>rd</sup> December 2020 in response to the budget cuts proposals. A contract was awarded to Newton Europe to undertake a service-wide diagnostic, which commenced in April 2021 and concluded in June 2021.</p> <p>In September 2021, Mayor and Cabinet approved the Design and Implementation phase of the review, which included continued use of Newton Europe resource to provide the necessary capacity and capability to deliver strategic transformation on this scale. This change programme within Adult Social Care is known as Empowering Lewisham. The Design and Implementation phase of Empowering Lewisham is nearing completion and has included new ways of working, the transformation and reconfiguration of services and the transfer of sustainable skills and knowledge to our staff.</p> <p>The IT systems that support ASC have been upgraded allowing all payments to providers to go through the ContrOCC system. This has resulted in better oversight of expenditure.</p>
4	Financial Sustainability	The Council will need to continue to work with schools and benchmark the number of Special Educational Needs and Disability provisions in mainstream schools made available compared to neighbouring boroughs.	Director of Education Services	<p>Work continues on the High Needs Mitigation Plan, overseen by Schools Forum and the local area partnership board, with increasing SEND provision capacity as a key focus.</p> <p>Following 2021/22 call for expressions of interest, plans are in place to increase specialist SEND places in Lewisham primary and special schools by 90 during the 2022/23 academic year.</p>



Ref	Category	Issue and Risk	Responsible Officer	Management Action
5	Financial Sustainability	Management have undertaken some sensitivity analysis when setting the 2021/22 budget. Management acknowledges that sensitivity analysis and scenario planning in terms of 'worst case' and 'stress testing' is an area which will need additional work going forward, to model the financial impact of Covid in the longer-term and ensure that plans are in place to make appropriate operational decisions to maintain financial stability.	Director of Finance	The current MTFP process included pessimistic and optimistic cases which effectively stress tested the likely four-year timeframe in considering the budgetary framework and what level of cuts might / would be required. This will continue throughout the year through joint working between budget monitoring, risks and pressures identification, considering the longer term impact of these for future year budgets and therefore adjusting / refining the savings / cuts targets.
6	Financial Sustainability	The Council is developing longer term solutions to meet the medium term financial challenge, but would benefit from building a longer term reserves strategy. The strategy should set out principles on the levels of reserves demonstrating how reserves are aligned with priorities and be agile enough to allow the Council to respond appropriately to changes in economic conditions.	Director of Finance	A review is being undertaken of the reserves strategy and this will initially be included within the Budget Report for 2023/24 and therefore tabled in February 2023. Going forward this will form part of the MTFS report each year.
7	Financial Sustainability	Revisions to the governance structure are required to ensure: <ul style="list-style-type: none"> <li>• A more comprehensive oversight over the capital programme</li> <li>• There is a clear alignment of capital resources with corporate priorities</li> <li>• A robust approach to programme management</li> <li>• Formal oversight of re-profiling change requests.</li> </ul>	Director of Inclusive Regeneration	The following actions are being undertaken to address these recommendations: <ul style="list-style-type: none"> <li>- Review of Regeneration Capital Board and Regeneration Capital Programme Delivery Board (RCPDB) Terms of Reference and reporting to ensure oversight.</li> <li>- Review and update of the project manager handbook guidance.</li> <li>- Standardisation of twice yearly capital budget re profiling in alignment with the budget setting process.</li> </ul>

Ref	Category	Issue and Risk	Responsible Officer	Management Action
8	Financial Sustainability	Given the uncertainty of the pandemic and current economic environment a routine re-profiling of the capital programme would be required. This needs to be complemented by detailed reporting on a scheme by scheme basis with detailed explanations explaining slippage that will assist with holding delivery managers to account for meeting project timescales.	Director of Inclusive Regeneration	Revised project highlight summary reporting will provide clearer detail of the performance of capital projects against time, cost and quality. Slippage against profile will be reviewed on a quarterly basis by RCPDB.
9	Governance	The Council should streamline the approach to risk management to ensure it is dynamic and thereby more consistency and robust centralised risk management.	Head of Assurance	We are developing a refreshed Risk Management Strategy with components currently in consultation. Our timeline has EMT approval of the new Strategy in late autumn with presentation to Members of the Audit Panel in December and full adoption to start in 2023/24. The revised strategy incorporates the findings discussed here.
10	Improving economy, efficiency, and effectiveness	The Council continue to develop and support the creation of a centralised intelligence hub, which will ensure clarity around data and insight for a more strategic reporting approach.	Assistant Chief Executive	A new corporate Insight team was created as part of the Support for Leadership restructure in July 2021, and has been in place since October 2021.

Ref	Category	Issue and Risk	Responsible Officer	Management Action
11	Improving economy, efficiency, and effectiveness	A quarterly performance monitoring report should be provided to members to monitor and review. The Council should also consider integrated reporting using a balanced scorecard approach that will better enable management and members to understand the interrelationships between different sources of information.	Assistant Chief Executive	Quarterly EMT reporting has moved from word documents to a dashboard. The council is in the process of developing a new performance framework which will consider a balanced scorecard approach, support SLT and review performance with respective Cabinet Members routinely. In addition quarterly performance will be discussed with the Mayor and cabinet members and considered with Scrutiny Members when setting their work programmes.
12	Improving economy, efficiency, and effectiveness	The Council should take a corporate approach to identify benchmarking good practice and co-ordinate its use within the services to challenge performance.	Assistant Chief Executive	As part of the Support for Leadership restructure, the role of the corporate Performance Team is to become more focused on strategic reporting, forward planning, benchmarking and good practice. The team is currently in transition towards moving to this model, working with service areas to take ownership over operational performance reporting so the corporate team can focus on strategic reporting and benchmarking. The team will work closely with the wider service areas and Strategic Transformation & OD Business Partners to support services in making use of performance and benchmarking information to identify and improve areas for change.
13	Improving economy, efficiency, and effectiveness	For Lewisham Homes Limited and Catford Regeneration Partnerships Limited, a report on progress against action plans and mitigation strategies should be presented to Mayor and Cabinet on a more regular basis.	Director of Housing and Director of Inclusive Regeneration respectively	This will be actioned.  Progress against the CRPL business plan to be reported to Mayor & Cabinet on an annual basis and regularly reviewed by Regeneration and Capital Board.

# Agenda Item 6



## Audit Panel

**Report title: Corporate Risk Register Update Q1 2022/23**

**Date:** 8 September 2022

**Key decision:** No

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Rich Clarke, Head of Assurance - Karen Eaton, Group Manager, Insurance and Risk

### Outline and recommendations

1. This report updates Members of the Audit Panel on the Council's Strategic Risks, as detailed in the Strategic Risk Register for the quarter ending 30 June 2022.
2. The report further advises Members on progress towards developing a refreshed Risk Management strategy, replacing the current 2017-22 edition last seen by this Panel in June 2021.
3. Audit Panel are recommended to:
  - (i) note the Strategic Risk Register
  - (ii) note and comment on plans for developing the Risk Management Strategy

## **1. Recommendations**

1.1 The Audit Panel are recommended to:

- (i) note this strategic risk register
- (ii) note and comment on plans for developing the Risk Management Strategy

## **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 continues to be identified and managed in accordance with the Council's Risk Management Strategy (2017-22) as reported to Audit Panel in June 2021.

3.2 EMT have received papers discussing options for the future management of risk in October 2021 and February and June 2022. The outcomes of these high-level discussions will shape the outcome of the review of the Risk Management Strategy and progress will continue to be reported to this Panel ahead of a planned full update in December 2022.

3.3 EMT last reviewed and approved the Strategic Risk register in June 2022 and will continue to work to the existing Strategy until approval of its replacement. For this period, following the comprehensive review in June, updates were on request. Consequently, updates only took place for time-relevant items such as action updates.

3.4 This report summarises the risks identified at the end of March 2022, along with an update on actions to present.

#### 4. Developing a New Risk Management Strategy

4.1 The current Risk Management Strategy, last seen by this Panel in June 2021, runs from 2017-2022. We are working currently on developing a refreshed Risk Management Strategy that aims to improve how the Council identifies, reports and manages its risks. The key improvement aims are:

- Increased currency and dynamism to risk reporting information,
- Better organised, more available information in more useable reporting,
- Easier administration and information management, and
- An approach that provides a comprehensive overview of risk at the Council.

4.2 We have already begun developing the approach with workshops with the Executive Management Team earlier in the year, the Strategic Leadership Team in July and the Extended Leadership Team in September. The full planned timetable for development is below.



## **7. Summary & Conclusions**

- 7.1 The Council manages risk in accordance with its Risk Management Strategy 2017 – 2022 but are in the process of reviewing these arrangements.
- 7.2 The risk registers have been reviewed for the period ending 31 March 2022 and the Strategic Risk Register has been updated to reflect the assessment of risk to the Council at that time.
- 7.3 The Strategic Risk Register was reviewed and approved at EMT by circulation in May/June 2022 and is appended to this report at Appendix A, as updated by developments to actions since.

## **8. Financial Implications**

- 8.1 There are no direct financial implications arising from this report.

## **9. Equalities Implications**

- 9.1 There are none arising directly from this report.

## **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.

## **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 Rich Clarke, Head of Assurance, on extension 48730.

# Appendix A: Strategic Risk Register

## Risk Matrix – Q1 2022/23

CURRENT RISK						
Risk Impact	5	2.A.4	5.B.1 5.B.2	2.A.3 2.B.2		2.A.2 2.A.5 5.A.1
	4		3.B.1 3.B.2	1.B.3 3.A.2 3.A.3 4.A.1	4.A.2 4.B.2 5.A.2	1.A.2 1.B.2 2.A.1
	3		2.B.1	1.A.1 3.A.1 4.B.3	1.B.1 4.B.1 5.A.3	
	2					
	1					
		1	2	3	4	5
		Risk Likelihood				



## Risk Listing – Q1 2022/23

Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Notes
			Imp	Lik	Score	Imp	Lik	Score	
<b>Current High Risks</b>									
2.A.2	Failure in child safeguarding	Children & Young People	5	5	25	5	4	20	
2.A.5	Serious adult safeguarding concerns	Community Services	5	5	25	5	4	20	
5.A.1	Unable to maintain delivery within balanced budget	Corporate Resources	5	5	25	4	1	4	
4.A.2	Global commodity price increases/supply chain shortages	Corporate Resources	4	5	20	3	2	6	
1.B.1	Non-compliance with health & safety	Chief Executive's	4	4	16	2	3	6	
2.A.3	Non-delivery of transformational change	Chief Executive's	5	3	15	5	2	10	
2.B.2	Serious cyber security breach	Corporate Resources	5	3	15	5	1	5	
<b>Current Moderate Risks</b>									
1.B.3	Respond to climate change	Housing, Regeneration & Public Realm	4	3	12	3	2	6	
3.A.3	Pace of change negatively impacts service delivery & morale	Chief Executive's	4	3	12	4	3	12	
4.A.1	Failure to manage suppliers & procurement programmes	Corporate Resources	4	3	12	2	2	4	
4.B.2	Delivery of Building for Lewisham fails	Housing, Regeneration & Public Realm	4	3	12	4	2	8	
5.A.2	Unforeseen spending/loss of income from funding streams	Corporate Resources	4	3	12	3	2	8	
2.A.1	Adequacy of internal control	Corporate Resources	4	3	12	4	2	8	
5.A.3	Loss of income - debt collection	Corporate Resources	3	4	12	3	1	3	

Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Notes
			Imp	Lik	Score	Imp	Lik	Score	
5.B.1	Failure to contain impacts of emergency	Corporate Resources	5	2	10	4	2	8	
5.B.2	Contain impacts of COVID-19 and deliver service	Chief Executive's	4	2	8	3	3	9	
3.A.1	Loss of constructive relations	Chief Executive's	3	3	9	3	2	6	
4.B.3	<b>Failure to meet Housing standards</b>	Housing, Regeneration & Public Realm	3	3	9	3	2	6	
3.B.1	Multi-agency governance leads to ineffective partnership work	Chief Executive's	4	2	8	4	1	4	
3.B.2	Integrated delivery models for local health & care services	Community Services	4	2	8	3	2	6	
1.A.2	Governance failing in service change	Chief Executive's	4	2	8	4	2	8	
1.B.2	Unresponsive to legislative change	Chief Executive's	4	2	8	4	2	8	
4.B.1	Failure to manage performance leads to service failures	Chief Executive's	2	3	6	2	2	4	
3.A.2	Maintain sufficient management capacity & capability	Chief Executive's	3	2	6	3	2	6	
1.A.1	Information governance failure	Corporate Resources	3	2	6	3	2	6	
2.B.1	ICT not fit for purpose/does not meet business needs	Corporate Resources	3	2	6	4	1	4	
<b>Current Low Risks</b>									
2.A.4	Elections not conducted efficiently or effectively	Chief Executive's	5	1	5	4	1	4	

Risk Descriptors				
Likelihood (Horizontal 'X' Axis)				
Rating	Probability	Description 1	Description 2	
Very High (5)	>50%	More likely to occur than not	Regular occurrence. Circumstances frequently encountered - daily/weekly/monthly	
High (4)	21-50%	Likely to occur	Likely to happen at some point within the next 1-2 years. Circumstances are occasionally encountered (few times a year)	
Medium (3)	6-20%	Reasonable chance of occurring	Only likely to happen every 3 or more years	
Low (2)	1-5%	Unlikely to occur	Has happened rarely	
Very Low (1)	<1%	Exceptional circumstances	Very low probability/never before	
Impact (Vertical 'Y' Axis)				
Rating	Individual Impact	Service Impact	Reputational Impact	Finance Impact
Very High (5)	Death of an individual or several people	Complete loss of services, including several important areas of service. Service disruption 5+ days. Service resource diversion up to 80%	Adverse and persistent national coverage. Adverse central govt. response, inc. poss. removal of delegated powers. Officer(s) and/or Members resign.	£5m+
High (4)	Severe injury to an individual or several people, requiring immediate hospitalisation	Major loss of an important service area. Service disruption 3-5 days. Service resource diversion up to 60%	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community	£2.5m - £5m
Medium (3)	Injury to an individual, requiring immediate hospitalisation	Major effect to an important service area. Service disruption 2-3 days. Service resource diversion 40%	Adverse local publicity/local public opinion	£1m - £2.5m
Low (2)	Minor injury to an individual or several people requiring hospital treatment	Major effect to an important service area for a short period. Service disruption 1-2 days. Service resource diversion up to 30%	Negative local publicity of a persistent nature	£500k - £1m
Very Low (1)	Minor injury to an individual requiring hospital treatment	Significant effect to non-crucial service area. Service resource diversion less than 20%	Negative local publicity	£250k - £500k

As set out in Risk Management Strategy 2017-2022

## Risk & Action Listing – Q1 2022/23

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
<b>COMPLY WITH THE LAW: Governance</b>									
1.A.1	Information Governance Failure	6 (6)	3 (3)	2 (2)	YES ⇒	Executive Director of Corporate Resources	New data protection training rolled out to all staff	(none required, risk on target)	n/a
							Regular Directorate Reporting and revised policy		
							Information asset & security environment audits		
1.A.2	Governance in service change	8 (8)	4 (4)	2 (2)	YES ⇒	Director of Law, Governance & Elections	Corporate Programme Management Office	(none required: risk on target)	n/a
							Finance training for members & officers		
							Themed budget approach		
<b>COMPLY WITH THE LAW: Regulatory</b>									
1.B.1	Non-compliance with Health & Safety regulations	16 (6)	4 (3)	4 (2)	NO ⇒	Chief Executive	Directorate & Corporate working groups	Revise corporate H&S manual	Summer 2022
							H&S training programme	Review & tender building inspections compliance programme	Q2 22/23
							Risk assessment & audit programme	Revised policies on water, fire, asbestos	Q2 22/23

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
1.B.2	Failure to anticipate & respond to legislative change	8 (8)	4 (4)	2 (2)	YES ⇒	Director of Law, Governance & Elections	Data observatory established	(none required: risk on target)	n/a
							Engagement with professional bodies & govt departments		
							Regular policy briefings		
1.B.3	Impact of climate change	12 (6)	4 (3)	3 (2)	NO ⇒	Executive Director for HRPR	Climate Emergency Strategic Action Plan	Updated Flood Risk Management Strategy	Q2 2022/23
							Borough Resilience Forum Flood Plan	Final Air Quality Management Strategy	Q2 2022/23
							Air Quality Management plan and monitoring board		
<b>SECURE SERVICES FOR USERS: Process</b>									
2.A.1	Internal control framework adequacy	12 (8)	4 (4)	3 (2)	NO ⇒	Executive Director of Corporate Resources	Internal audit & assurance, with supporting policy and reporting framework	Revising approach to control account reconciliations to incorporate overall review dashboard	Q2 2022/23
							Oracle project		
							Liquid logic control processes		

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
2.A.2	Child safeguarding failure	25 (20)	5 (5)	5 (4)	NO ⇨	Executive Director of Children & Young People	All cases risk assessed & thresholds for access linked to statutory requirements	Improvement programme including embedding Signs of Safety	Q2 2022/23
							LCS system redesigned to improve management		
							Weekly critical safety panel reviewing Quality Assurance and performance framework		
2.A.3	Strategic programme for transformation does not deliver	15 (10)	5 (5)	3 (2)	NO ⇨	Assistant Chief Executive	Organisational Development Strategy & Project Mgmt Office (PMO)	Portfolio approach in line with corporate strategy & recruiting programme management resource.	Q2 2022/23
							Strategic change boards		
							Building focus and capacity		
2.A.4	Elections not conducted in line with law	5 (4)	5 (4)	1 (1)	NO ⇨	Director of Law, Governance & Elections	Overall project plan  Extensive staff training and engagement	(None)	(N/A)

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
2.A.5	Failure in Adult Safeguarding	25 (20)	5 (5)	5 (4)	NO ⇒	Director of Adult Social Care	LSAB provided with regular reports, including monthly case audits		
							Safeguarding adults policy and procedures ensuring Care Act compliance		
							SAR Board with governance arrangements and referral process in place		
<b>SECURE SERVICES FOR USERS: Technology</b>									
2.B.1	IT not fit for business need purpose	6 (4)	3 (4)	2 (1)	NO ⇒	Executive Director of Corporate Resources	Directorate participation in corporate PMOs. IT Triage process		
							Dedicated support for key line of business systems		
							Review BCPs with Emergency Planning team		
2.B.2	Cyber security breach corrupts or locks down Council systems or data	15 (5)	5 (5)	3 (1)	NO ⇒	Executive Director of Corporate Resources	Improved controls on admin-level access	Cloud-based authentication through MS365	November 2022
							Cyber Strategy & response policy approved		
							Online backups and disaster recovery testing		

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
<b>DEVELOP STAFF &amp; PARTNERS: Workforce</b>									
3.A.1	Loss of constructive employee relations	9 (6)	3 (3)	3 (2)	NO ⇨	Assistant Chief Executive	Refreshed people management including employee assistance	Establish various forums including monthly consultative meeting and escalation meeting where required.	Q2 22/23
							Extended union engagement and staff networks		
							Pulse surveys across a diagonal slice of staff	Staff Survey	
3.A.2	Failure to maintain sufficient management capacity & capability to deliver business and implement change	6 (6)	3 (3)	2 (2)	YES ⇨	Chief Executive	All EMT posts are permanently filled and Director level posts appointed	(None, risk at target)	N/A
							OD Strategy in place		
3.A.3	Pace of change negatively impacts service delivery and employee morale	12 (12)	4 (4)	3 (3)	YES ⇨	Assistant Chief Executive	Regular staff and management communications from CEX	Develop People Management Strategy	Q2 2022/23
							Together Lewisham Staff Network & Leading Together Lewisham		
							New appraisal process launched		



Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
<b>DEVELOP STAFF &amp; PARTNERS: Partnerships</b>									
3.B.1	Multi-agency governance leading to ineffective partnership working	8 (4)	4 (4)	2 (1)	NO ⇒	Chief Executive	Regular meetings in place and liaison with all key partners & stakeholders	Development of local place based strategic plans being considered	Q2 22/23
							Strategic Partnership Boards in place and actively supported		
3.B.2	Failure to agree with partners integrated delivery models for local health & care services	12 (4)	4 (2)	3 (2)	NO ⇒	Executive Director Community Services	Partnerships in place across health & social care including monitoring initiatives.	Develop proposals for Commissioning Alliance	Q2 22/23
							Integration planning, including joint posts and whole system recovery plan		
							Strategic Commissioning Function developed		
<b>SERVICES REPRESENT VFM: Procurement</b>									
4.A.1	Failure to manage strategic suppliers and related procurements	12 (6)	4 (3)	3 (2)	NO ⇒	Executive Director of Corporate Resources	Contract management toolkit and supporting training plus contract mgmt dashboard	Contract management dashboard to be developed in use	Q2 22/23
							Social Value reporting		
							Contract Compliance checklist		

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
4.A.2	Global commodity price increases or supply chain shortages	20 (6)	4 (3)	5 (2)	NO ⇒	Executive Director of Corporate Resources	Monitoring prices through contract management framework	Review supply chain specifications and seek alternatives where possible	Monthly financial reporting
							Using variation clauses as required		
							Market engagement and benchmarking		
<b>SERVICES REPRESENT VFM: Performance</b>									
4.B.1	Failure to manage performance leads to service failure	6 (4)	2 (2)	3 (2)	NO ⇒	Chief Executive	Director sessions as part of SLT	Embed programme and project management approach	November 2022
							One Council approach to collaborative work	New corporate performance dashboard in development	Summer 2022
							Performance reporting to EMT		
4.B.2	Building for Lewisham programme fails to make full use of available funding streams and/or exceeds financial parameters	12 (8)	4 (4)	3 (2)	NO ⇒	Executive Director for HRPR	Changes to planning schemes to improve viability, including using 40% of RTB receipts. High level GLA Grant. Monitoring KPIs for Shared Ownership Sales and Quarterly financial reviews Sensitivity analysis including benchmarking with other LAs	Annual financial assumptions review	October 2022

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
4.B.3	Failure to meet housing standards	9 (6)	3 (3)	3 (2)	NO ⇒	Director of Housing Services	LBL Self-Referral to the Regulator following issues highlighted by ITV programme.		
							Closely monitoring Lewisham Homes Lessons Learnt Action Plan. Updated clienting, including KPIs and quarterly monitoring.		
<b>MANAGE WITHIN BUDGET: Financial</b>									
5.A.1	Financial failure and inability to maintain service delivery within a balanced budget	25 (4)	5 (4)	5 (1)	NO ⇒	Executive Director of Corporate Resources	Audited financial statements, MTFS, regular reserves and provisions monitoring.	Unwind Covid funding from BAU	Q2 2022/23
							Financial planning addressing historic pressures and balanced budget.	Monitor local government finance changes	Q2 2022/23
							Comprehensive financial planning.		
5.A.2	Lack of provision for unforeseen expenditure or loss of income from funding streams	12 (6)	4 (3)	3 (2)	NO ⇒	Executive Director of Corporate Resources	Expert valuations of pension fund and insurance provisions	Review bad debt provisions and write-offs post covid	Q2 2022/23
							Provisions and reserves strategy		
							Monitor and contribute to consultations on future of LG finance		

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
5.A.3	Failure to collect debt	12 (3)	3 (3)	4 (1)	NO ⇒	Executive Director of Corporate Resources	ASC charging policy	(None)	N/A
							Additional resource for debt collection team		
							LL and Controc systems aligned		
<b>MANAGE WITHIN BUDGET: Business Continuity</b>									
5.B.1	Failure to effectively contain impact of emergency affecting public, business, environment	10 (8)	5 (4)	2 (2)	NO ⇒	Executive Director of Corporate Resources	On-call emergency planning rota and training with London wide standardised packages.	(None)	N/A
							BC Management programme using Resilience Standards for London		
							Quarterly Borough Resilience Forum with annual tests		
5.B.2	Failure to effectively contain ongoing impacts of Covid-19	8 (6)	4 (3)	2 (2)	NO ⇒	Chief Executive	Covid risk register, reviewed by multi-agency partnership with established sub groups	Ongoing monitoring and engagement with NHS about booster vaccinations & emerging other threats (e.g. Monkeypox)	Q2 22/23
							Service priorities determined and planned.		
							Ongoing monitoring and connection to London situation reporting		



# Agenda Item 7



## Audit Panel

### Report title: Audit Panel Work Programme

**Date:** 8 September 2022

**Key decision:** No.

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Rich Clarke, Head of Assurance

### Outline and recommendations

This report sets out the current proposed work plan for the Panel at its next meeting, scheduled for 9 November 2022, and an outline work programme of regular items across the municipal year.

We recommend Members **note** the Work Programme

## 1. Summary

- 1.1. This paper builds on a generic work programme paper presented in March that aimed to set out a 'typical' year. This paper is more specific to the work of the Panel anticipated in 2022/23 and will be developed as the year goes on. It aims to help Members plan their work and enhance the level of scrutiny they can provide across the year. Members can, and no doubt will, request additional items of specific interest throughout the year. That we will use to adapt the work programme.

## 2. Recommendations

- 2.1. We recommend the Audit Panel:
  - **Note** the Audit Panel's work programme.

## 3. Policy Context

- 3.1. The work programme sets out papers that will come to the Panel as it discharges the responsibilities set out in its terms of reference.

## 4. Background

- 4.1. We have prepared this work programme in consultation with the Audit Panel Chair and relevant officers within the Council and our external auditors, Grant Thornton.

## 5. Anticipated Items for Meeting on 9 November 2022

- 5.1. This is an extra meeting added to the Panel's typical annual cycle. It is needed to accommodate the end of audit process for the financial statements, which works to a tight schedule with a statutory deadline of the end of November.
- 5.2. As a result, items will focus on those necessary to complete the external audit and conclude review of the Council's Financial Statements.
- **Audit Findings Report 2021/22.** Presented by the Council's external auditors, Grant Thornton, this report will summarise their work and disclose to Members any material or significant findings, potentially including recommendations for further action. The report will include a draft of the auditor's opinion on the financial statements. It will be presented to Members to note, and bear in mind as they take a decision on whether to recommend approval of the financial statements.
  - **Letters of Representation 2021/22:** Agreeing letters required by the external auditor making certain representations required by audit standards. For example, asserting to the auditor that the Council has made available all documents it holds and provided full answers to all auditor queries.
  - **Statement of Accounts 2021/22:** The Panel will be invited to recommend the Council's Statement of Accounts for approval at full Council on 23 November.
  - **Annual Governance Statement 2021/22:** This document summarises the Council's governance processes and comments on their performance through the year. The Panel will be invited to recommend the statement for approval at full Council on 23 November.
  - **External Audit Progress Update:** A regular update from the external auditors, including progress on open recommendations.

## 6. Annual Work Programme

- 6.1. The table below sets out the current and anticipated papers this Panel might expect to consider in 2022/23. We will develop this further through the year.

Audit Panel Work Programme: Lewisham Council						
Service & Document Type	Purpose	Tuesday 21 June	Thurs 8 Sept	Wed 9 Nov	Tues 6 Dec	Tues 14 March
<b>Assurance Service Documents</b>						
<b>Internal Audit</b>						
Annual Report & Head of Audit Opinion 2021/22	Information	<input checked="" type="checkbox"/>				
Progress Report	Information	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Annual Plan 2022/23	Approval					<input checked="" type="checkbox"/>
Audit Charter	Approval		<input checked="" type="checkbox"/>			
External Quality Assessment	Information	<input checked="" type="checkbox"/>				
<b>Anti-Fraud &amp; Corruption</b>						
Annual Report 2021/22	Information		<input checked="" type="checkbox"/>			
<b>Insurance &amp; Risk</b>						
Risk Management Strategy	Recommendation				<input checked="" type="checkbox"/>	

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## Audit Panel Work Programme: Lewisham Council

Service & Document Type	Purpose	Tuesday 21 June	Thurs 8 Sept	Wed 9 Nov	Tues 6 Dec	Tues 14 March
Risk Register Update Report	Information	☑	☑		☑	☑
Specific Risk Area Review	Information	☑	☑		☑	☑
<b>Finance Service Documents</b>						
Letters of Representation 2021/22	Approval			☑		
Statement of Accounts 2021/22	Recommendation			☑		
Annual Governance Statement 2021/22	Recommendation			☑		
Consultation Responses	Information	☑				
<b>External Audit Documents</b>						
Value for Money Conclusion 2020/21	Information	☑				
Progress Report (including actions progress)	Information	☑	☑		☑	☑
Audit Plan 2021/22	Information	☑				
Risk Assessment 2021/22	Information	☑				
Audit Findings Report 2021/22	Information			☑		
Value for Money Conclusion 2021/22	Information					☑
Annual Audit Letter 2021/22	Information					☑
Housing Benefit Certification 2021/22	Information					☑
Audit Plan 2022/23	Information					☑
<b>External Audit Documents</b>						
Minutes of the previous meeting	Approval	☑	☑		☑	☑
Work Programme	Information	☑	☑		☑	☑
Update on Audit Committee Regulatory Requirements	Information				☑	

### 7. Tuesday 6 December Meeting

- 7.1. The planned agenda for the meeting on 6 December is slanted towards risk management, including a refreshed risk management strategy. It is also planned to include an update on Audit Committee regulatory requirements, following the anticipated publication of CIPFA's detailed guidance.

### 8. Financial implications

- 8.1. There are no financial implications arising from this report.

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## **9. Legal implications**

9.1. There are no legal implications arising from this report.

## **10. Equalities implications**

10.1. There are no equalities implications arising from this report.

## **11. Climate change and environmental implications**

11.1. There are no climate change and environmental implications arising from this report.

## **12. Crime and disorder implications**

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

## **13. Health and wellbeing implications**

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

## **14. Background papers**

14.1. The Panel's Terms of Reference are set out in the Council's [Constitution](#). Previous papers of the Panel are [online](#).

## **15. Report author and contact**

15.1. For any queries on the report, please contact its author: Rich Clarke, Head of Assurance on 020 8314 8730 (extension 48730) or by email at [rich.clarke@lewisham.gov.uk](mailto:rich.clarke@lewisham.gov.uk).

# Agenda Item 8

AUDIT PANEL		
<b>Report Title</b>	Exclusion of the Press and Public	
<b>Key Decision</b>		Item No. 8
<b>Ward</b>		
<b>Contributors</b>	Chief Executive	
<b>Class</b>	Part 2	Date: 8 September 2022

## Recommendation

It is recommended that 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 paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to Information) (Amendments) (England) Regulations 2006:-

9. Child Safeguarding Risk Review

By virtue of paragraph(s) 2, 5, 7 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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