



AGENDA AUDIT PANEL

Date: THURSDAY, 14 SEPTEMBER 2017 at 7.00 pm

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

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

COUNCILLORS

Councillor Jonathan Slater (Chair)
Councillor Helen Klier
Councillor Mark Ingleby
Councillor Joyce Jacca
Councillor Maja Hilton
Councillor Susan Wise

Independent Members

Paul Dale
Ian Pleace
Stephen Warren
1 Vacancy

Members are summoned to attend this meeting

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

Barry Quirk
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: Thursday 6 September 2017



INVESTOR IN PEOPLE

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

ORDER OF BUSINESS – PART 1 AGENDA

Item No		Page No.s
1.	Election of Vice Chair	1
2.	Minutes	2 - 8
3.	Declarations of Interests	9 - 12
4.	Final Accounts 2016/17 -Grant Thornton's External Audit Reports	13 - 82
5.	Final Accounts 2016/17 LBL Response to Grant Thornton's Findings	83 - 90
6.	A Briefing on the 2016/17 Employment Profile	91 - 145
7.	Internal Audit Update	146 - 172

Agenda Item 1

AUDIT PANEL		
Report Title	ELECTION OF CHAIR AND VICE CHAIR	
Key Decision		Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 14 September 2017

Recommendation

It is recommended that a Vice Chair of the Audit Panel be appointed for the municipal year 2017/18

Agenda Item 2

AUDIT PANEL		
Report Title	MINUTES	
Key Decision		Item No.
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 14 September 2017

Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 20 June 2017 be confirmed and signed.

MINUTES OF THE AUDIT PANEL

Tuesday, 20 June 2017 at 7.00 pm

PRESENT: Councillors Jonathan Slater (Chair), Mark Ingleby, Maja Hilton, and Mr Ian Pleace

ALSO PRESENT: Carole Murray, prospective Independent Audit Panel Member.

Apologies for absence were received from Councillor Helen Klier, Councillor Susan Wise and Paul Dale

26. Election of Chair and Vice Chair

RESOLVED that

- i. Councillor Slater be appointed as Chair of the Audit Panel for the 2017/18 Municipal year.
- ii. that the appointment for Vice Chair be deferred to the next meeting.

27. Minutes

The Chair welcomed Carole Murray, prospective Independent Panel Member, who was observing the meeting.

Minutes 23

The Head of Corporate Resources said as the Audit Plan is to be agreed in September this year officers thought there was enough time to get it completed and did not think it necessary to submit a draft at this time. Ian Peace said the Panel had agreed to do a dry run to ensure things would go smoothly next year hence the draft was to be sent to Panel Members for their comments before the June meeting.

Darren Wells said he would send a copy of their publication on consultants to Panel Members as soon as possible.

Action >>>>> Grant Thornton

The Executive Director for Resources and Regeneration said a report on employment profile would be going to Safer Stronger Communities Select Committee which would provide information on consultants and agency staff. She said the Head of Human Resources would bring a report to Audit Panel in September.

Action >>>>> Head of Human Resources

Panel Members were informed that the findings of the investigation would be reported to Council and a decision taken by Council. The Head of Corporate Resources said sufficient controls have been put in place that were reassuring.

RESOLVED that the minutes of the meeting held on 21 March 2017 that was open to the press and public be confirmed as an accurate record.

28. Declarations of Interests

None received.

29. Audit Plan 2016-17

Darren Wells introduced the report. He explained the breakdown of the report. Darren Wells informed Panel Members that external auditors would need additional information on the New Bermondsey CPO before the plan is signed off. He explained that if the investigation had not been finalised before the deadline the audit conclusion would have to be deferred. He added that as part of the value for money conclusion Auditors have to determine any risk that is significant and they thought this investigation had raised potential issues within the governance and decision making process. He emphasised that cost of the investigation was not an issue but there would be concerns about the value for money conclusion if weakness was identified within the governance arrangements in the Council.

The Executive Director for Resources and Regeneration said some recommendations which might have some impact on the Council's governance and decision making processes might come out of the investigation and therefore the plan could not be agreed until the investigation is completed. The Executive Director for Resources and Regeneration said £1/2m had been provided for the investigation and additional fund could be provided from the emergency funds if necessary. She added that the external auditors had no issue with the financial part of the review, but they did not think the value for money in respect for this issue had been cleared.

Ian Pleace asked Darren Wells to explain the walk through process and was told that external Auditors would want to show they understand how the system had been designed without testing the operation of each control. They walk through and if they find any issue during this process this would be highlighted.

RESOLVED that the report be noted.

30. Pension Fund Audit Plan 2016-17

Darren Wells introduced the report.

RESOLVED that the report be noted.

31. Pre-Audit Statement of Accounts 2016-17

The Acting Group Finance Manager-Core Financing introduced the report and informed Panel Members that officers had been doing a dry run over the last 2 years to get used to the new timetable.

The Head of Financial Services informed Panel Members that the audits were underway and officers had been engaging with Grant Thornton. He said the public inspection of accounts which should last for 6 weeks would start the following day and notification would be on the Council's website. Mr Pleace asked whether the full assessment would be reported at the September meeting and was told by the Executive Director for Resources and Regeneration that it would be reported to the Audit Panel in September before going to Council the same month.

Pensions Fund

Panel Members noted that this report would be going to the Pensions Investment Committee in a few days. It was noted there had been changes in the memorandum, and there had been a big shift in investments performances as they had been flat in 2016 but had increased by over 20% in 2017. Following the triennial valuation review and increased funding level, Panel Members were informed that there had been an evaluation into how investments were made now that the membership had been reduced from 7000 to 6000 due to retirement. This had resulted in a negative cash flow. The Pensions Investment Committee were diversifying investments and taking less risky strategy by reducing holdings of equities.

Mr Pleace asked whether there was hedging taking place and was told two big drivers in equity performance were the European movement and the devaluation and restatement of the sterling.

Mr Pleace asked whether this was a good time to engage in active hedging and was told that this would be discussed at the Pensions Investment Committee meeting on Thursday. The Head of Corporate Resources said the advice had always been not to do active hedging but officers would ask again on Thursday.

Councillor Hilton asked whether the Council was trading in US Dollars because they were long term investments and was told the Council was currently buying products and investing in Sterling.

RESOLVED that the report be noted.

32. Annual Assurance Report

The Head of Corporate Resources introduced the report informing members that the overall opinion received was limited but improving for corporate audits, and satisfactory for schools. He said officers did not deliver the whole plan as intended and recognised that more work would be needed going forward. Officers were aware of the gaps to be addressed before next year. He added that the challenging areas were similar to last year's. The Head of Corporate Resources stated that although the internal audit service met the statutory Public Sector

Internal Audit Standards (PSIAS), there was a recurring issue. However, it was mitigated by the internal Audit Manager having direct unrestricted access to the Chair of the Audit Panel.

Carole Murray said she was initially concerned that the Head of Audit is also the Head of Corporate Resources, as both roles should be separate. However it was noted that this was a common issue among local authorities, as the role of Head of Audit needs to be sufficiently high profile.

Councillor Ingleby asked if more had been done this year due to the impending changes to the timetable of finalising the financial accounts. The Internal Audit Manager stated that the core financial audits were brought forward to quarter three (Oct-Dec) as a trial, due to the anticipated change. She added that more work had been accomplished this year and only a few audits had been deferred to 2017/18.

Councillor Ingleby asked if officers were now moving towards income generation and whether the newly appointed Income Generation Officer would do this. The Executive Director for Resources and Regeneration said it was still early days, but members would be kept informed.

Panel members said they noted that a number of recommendations for the ICT function had been implemented, with the governance arrangements now fully up and running. They asked if officers were confident that the service would be delivered. The Internal Audit Manager said that work was in progress in relation to governance audit, KPIs and delivery targets for the contract had been sent to both parties. It was noted that disaster recovery had been put in place, and the last time there was a crash recovery was established in 24 hours.

Carole Murray was concerned about the accounts payable and receivable, having limited opinions, and the high number of recommendations for some areas where there was a satisfactory opinion.

The Head of Corporate Resources said that accounts payable had improved, moving from no assurance to limited, and officers were working hard at this. It was noted that the financial systems e.g. separation of duties, and invoices not sent out on time would all be addressed when the new oracle system is in place. The Head of Corporate Resources described the Council's approach to risk management and related governance within the organisation.

Mr Pleace said members had raised concerns in the past about segregation of duties in the Finance Department and they would need to be assured systems had been put in place to address this. The Head of Financial Services said officers were currently looking at their practices and when the new system is in place Payroll and HR Services would have stronger control. He added that officers were actively reviewing this and discussions had been had with Heads of Services, and the finance team felt assured that this issue would be addressed very soon.

Mr Pleace asked when the new system would be in place, and if the Audit Panel needed to do more to assist officers. The Head of Financial Services said officers were looking at making the transition to oracle next year and thought the Panel would play a role. It was noted that officers were currently in discussion with the company and a report would be brought to the Audit Panel soon.

RESOLVED that the report be noted.

33. Internal Audit Update

The Head of Corporate Resources introduced the report, and informed the Panel that their approval was needed for the revised Charter which was included in the report. The Internal Audit Manager said within the structure of the 2016/17 audit only 3 drafts were yet to be finalised and this was the best position the Council had been for a number of years now.

The Chair asked what was being done to support schools following the financial deficits of Forest Hill and Sedgehill schools. The Internal Audit Manager said schools were being encouraged to do their forecasts and budgeting and support was being offered. She said they had control issues with purchase orders but things were slowly improving. The Chair asked whether the schools were using a different payroll system and was told that the schools had to decide what payroll system they want to use. Panel members were informed that the schools' accumulated limits have now been raised, in the past in order to spend £3,000 they have to get three quotes, now the sum has been raised to £10,000.

Carole Murray said she was pleased to see the level of data that was included in the report, and the report summaries were helpful, but she was a bit concerned with the number of medium range recommendations with a satisfactory opinion. She received a response on why this was the case and an explanation on the difference between different financial status groupings in the report.

AFACT Update

Panel members raised concerns that action taken against employees who had been found guilty of fraud ought to be strict enough to serve as a deterrent. The Head of Corporate Resources said the respective manager would usually pass the complaint to the Human Resources Manager and action would be taken in accordance with the Council disciplinary policy. Executive Directors received regular updates on cases in their respective areas.

RESOLVED that

- i. the report be noted.
- ii. the revised audit charter be approved.

ANY OTHER BUSINESS

Safety of Exterior Cladding on Lewisham Tower Blocks

Panel Members asked about the Council's financial exposure now that fire safety works were to be done on the Council Tower blocks to examine cladding, sprinklers and fire alarms to ensure they comply. Panel members were told that the DCLG had advised Councils that they would meet the cost of this project as they were aware it would cost the local authorities a lot of money.

It was noted that an independent inquiry would be set up and a report would go to the Housing Select Committee in September. The Chair of the Housing Select Committee would then make recommendations to the Audit Panel. Councillor Hilton said it would be wise for an audit of current stock to be taken before any decisions about the next steps were taken.

ACTION >>>>>> Head of Corporate Resources

Meeting ended: 8.17pm

Agenda Item 3

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No.
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 14 September 2017

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)

AUDIT PANEL			
Report Title	Final Accounts 2016/17 – Grant Thornton’s External Audit Reports		
Key Decision	No	Item No.	
Ward	ALL		
Contributors	Executive Director for Resources and Regeneration		
Class		Date:	14th September 2017

1. PURPOSE

- 1.1 The purpose of this cover report is to present to the Audit Panel the reports by Grant Thornton on their findings during the external audit of the Council’s 2016/17 Main Accounts and Pension Fund Accounts.
- 1.2 Grant Thornton’s report regarding Value for Money on the Council’s arrangements in place for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness, is included within the Main Accounts report.

2. RECOMMENDATION

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

APPENDICES

- 1 – Grant Thornton – The Audit Findings for the London Borough of Lewisham and the Value for Money report – Year ended 31 March 2017. **ATTACHED**
- 2 - Grant Thornton – The Audit Findings for the London Borough of Lewisham Pension Fund - Year ended 31 March 2017. **ATTACHED**

The Audit Findings for London Borough of Lewisham

Year ended 31 March 2017

September 2017

Darren Wells

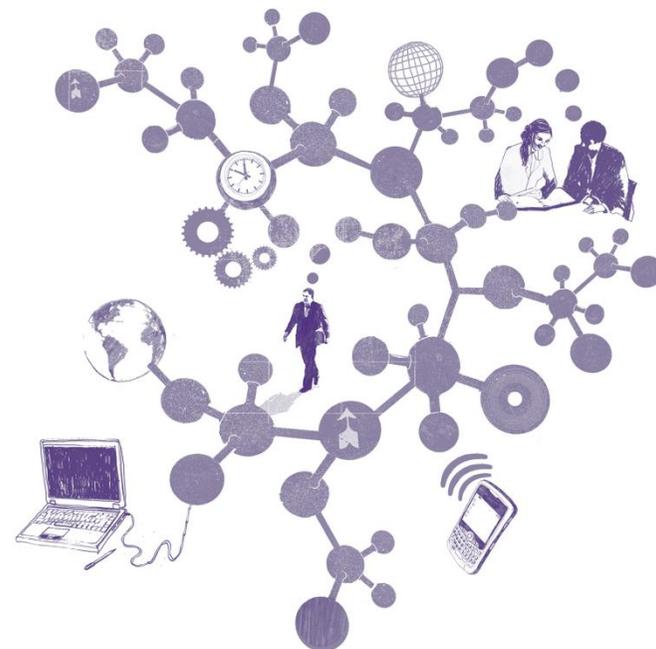
Director
T 01293 554 120
E darren.j.wells@uk.gt.com

Jamie Bewick

Senior Manager
T 01293 554 138
E jamie.n.bewick@uk.gt.com

Andy Ayre

Assistant Manager
T 0207 728 2328
E andy.j.ayre@uk.gt.com



London Borough of Lewisham
Lewisham Town Hall
London.
SE6 4RU

Grant Thornton UK LLP
2nd Floor
St John's House
Haslett Avenue West
Crawley
RH10 1HS
T +44 (0)1293 554130
www.grant-thornton.co.uk

September 2017

Dear Members of the Audit Panel

Audit Findings for London Borough of Lewisham Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of London Borough of Lewisham Council, the Audit Panel), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Darren Wells
Engagement lead

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	26
4. Other statutory powers and duties	35
5. Fees, non-audit services and independence	37
6. Communication of audit matters	40
Appendices	
A Action plan	
B Audit opinion	

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Page 17

Purpose of this report

This report highlights the key issues affecting the results of London Borough of Lewisham ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan in June 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Closing queries arising from quality review processes;
- Some tests within our other revenues cycle;
- Review of the final version of the financial statements;
- Obtaining and reviewing the management letter of representation;
- Updating our post balance sheet events review, to the date of the opinion; and
- Whole of Government Accounts.

We have recently been made aware of a national technical accounting issue regarding the treatment of pension liabilities relating to subsidiary companies. We are still considering whether this new guidance has an impact for the Council's financial statements and we are discussing this with management.

Key audit and financial reporting issues

Financial statements opinion

We did not identify any adjustments affecting the group's or the Council's reported financial position. We have recommended a small number of classification adjustments and other changes to improve the presentation of the financial statements.

Overall the financial statements have been of a very high quality and are following a trend of improvements year on year. This year was a notable improvement again and we have no significant issues we wish to bring to your attention.

Further details are set out in section two of this report. We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

This is the last audit year before the deadline for audit opinions is brought forward to 31 July. To support the Council to achieve the earlier deadline we:

- Carried out an extensive programme of early audit testing including journals, employee remuneration and operating expenses;
- Brought our audit testing forward to June and July; and
- Gave a joint presentation to the whole finance team on audit and early closedown.

The Council presented accounts for audit on 30th May, in line with the agreed earlier timetable. Finance staff responded very promptly to audit queries and provided good quality working papers. Consequently we believe the Council is well placed to meet the earlier deadlines from 2018.

Unplanned departures of audit staff and other staff issues meant that we had to defer some of our audit work into early August. We will be reviewing our capacity planning for 2017/18 for when the 31 July becomes a hard deadline. We will also be looking to further extend our programme of early audit testing and early audit work in 2018, to reduce the amount of work required at the peak time.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to consider whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Further details are provided within section two of this report.

Findings

We have had due regard to control issues reported by internal audit around the accounts payable, accounts receivable and banking systems. These reports led to a Head of Internal Audit opinion giving “limited” assurance. Consequently we carried out additional audit testing to gain assurance in these areas. We have no matters to report to you on this additional testing.

As part of our standard audit approach we also carry out an annual review of the IT controls in place at the Council. Similar to the previous year our IT review raised weaknesses in the control system around IT security and access controls, which have been reported to management. We note that the Council is currently reviewing the future of its IT shared service arrangements.

Value for Money

Based on our review to date, we have not identified any significant issues in respect of the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources.

However we are unable to issue a vfm conclusion at this time. In our audit plan we reported a significant risk in respect of widely reported allegations of poor governance concerning the New Bermondsey planning decision. The inquiry into this is ongoing and we understand is due to report by December. We plan to issue our vfm conclusion after we had an opportunity to consider this report.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have received three objections to the Council’s 2016/17 accounts and are currently considering the matters raised.

Further details of our work on other statutory powers and duties is set out in section four of this report.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council’s Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Audit Panel. This is due in February 2018.

The way forward

Matters arising from the financial statements audit and our review of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Financial Services and the Executive Director for Resources and Regeneration.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Executive Director for Resources and Regeneration and the finance team.

Acknowledgement

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

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £ 20,389k (being 1.75% of gross revenue expenditure per the 2015/16 audited Statement of Accounts). We have considered whether this level remained appropriate during the course of the audit and revised our overall materiality to £19,612k (being 1.75% of gross revenue expenditure of the pre-audit 2016/17 Statement of Accounts).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £1,019k. Our assessment of the value of clearly trivial matters has been adjusted to £981k to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	All transactions made by the Council affect the balance and it is therefore considered to be material by nature.	£1,000k

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at London Borough of Lewisham, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including London Borough of Lewisham, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> • review of entity controls • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We have not identified, nor been made aware of any unusual significant transactions.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Page 23

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. 	<p>We did not identify any significant issues against the risk identified.</p>

Page 24

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Employee remuneration accruals understated (Remuneration expenses not correct) 	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> Walkthrough of your controls in place over payroll expenditure Review of the year-end reconciliation of your payroll system to the general ledger Trend analysis of the monthly payroll runs from during the year Other substantive testing as appropriate 	<p>We did not identify any significant issues against the risk identified</p>
Operating expenses	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Creditors understated or not recorded in the correct period (Operating expenses understated) 	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> Walkthrough of your controls in place over operating expenditure Review of the year-end reconciliation of your accounts payable system to the general ledger Testing of year-end creditors and accruals Testing of post-year end payments 	<p>We did not identify any significant issues against the risk identified</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Valuation of pension fund net liability</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 26</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represents a significant estimate in the financial statements.</p> <p>We identified valuation of pension fund net liability as a risk requiring particular audit attention:</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out. • We carried out procedures to confirm the reasonableness of the actuarial assumptions made. • We reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>We did not identify any significant issues against the risk identified.</p>

Going concern

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

We reviewed management's assessment of the going concern assumption and the disclosures in the financial statements. In the statement of accounting policies the Council has made a brief statement that the accounts are prepared on a going concern basis. There is no other explicit statement of why the going concern assumption is appropriate either in the accounts or elsewhere. In July 2017 the Council published a medium term financial strategy setting out its plans to continue to deliver services under balanced budgets for the period to 2022. Under accounting standard IAS1 there is a presumption that public sector entities should be considered as going concerns as long as the services continue.

We therefore concur with the Council preparing its statements on a going concern basis.

Significant matters discussed with management

	Significant matter	Commentary	
1	<p>During 2015/16 and 2016/17 the Council has made loans to its subsidiary Lewisham Homes to acquire social housing. Management concurred with our view that its interest in the subsidiary is now material and that group accounts are appropriate.</p>	<p>We reviewed the consolidation process involved in producing the group accounts. We also carried out targeted testing of the material items of account in Lewisham Homes accounts.</p>	<p>Auditor view</p> <ul style="list-style-type: none"> The Council's group disclosures are proportionate and appropriate. We did not identify any issues from targeted testing.
2	<p>Following the Grenfell Tower disaster the Chief Executive and other members of the Council's senior team have been working to support the Royal Borough of Kensington and Chelsea, following senior level resignations at that Council.</p> <p>At the same time the Council has responded by carrying out a programme of fire safety checks at all relevant properties it owns in the Borough.</p>	<p>We discussed with the Council whether a post balance sheet disclosure would be needed in respect of these matters and management concurred that this would be appropriate.</p>	<p>Auditor view</p> <ul style="list-style-type: none"> We will consider the Council's proposed post balance sheet event disclosures as part of our closing procedures.
3			

Page 27

Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Lewisham Council Page 28	Yes	Comprehensive	<ul style="list-style-type: none"> - Management over-ride of controls (page 6) - Valuation of property, plant and equipment (page 7) - Employee remuneration (page 8) - Operating expenses (page 8) - Valuation of pension fund net liability (page 9) 	Full scope UK statutory audit performed by Grant Thornton	Our audit work has not identified any issues in respect of the consolidation of the group accounts.
Lewisham Homes Limited	No	Analytical	N/A	Desktop review performed by GT UK.	Our audit work has not identified any issues in respect of Lewisham Homes.
Catford Regeneration Partnership Limited	No	Analytical	N/A	Desktop review performed by GT UK	Our audit work has not identified any issues in respect of Catford Regeneration Partnership.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> The Council's policies on grants, contributions and other revenues are set out in the statement of accounting policies. 	<p>We reviewed the Council's revenue recognition policies. We found that they are consistent with the previous years policy and with model examples in the Code. In our programme of testing we found that the policies have been applied appropriately.</p>	 Green
Judgements and estimates <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 29</div>	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Useful life of PPE Revaluations Impairments Valuation of pension fund net liability Provision for NNDR appeals Insurance provisions 	<p>We reviewed valuations and impairments of property plant and equipment. The Council obtained independent valuations in the year covering substantially all its assets. We agreed the valuations in the accounts to the valuers' reports. We also confirmed that valuation movements were materially in line with our expectations, as informed by industry trends.</p> <p>We agreed the pension fund liability to the actuarial reports and we confirmed that the assumptions and underlying evidence were in accordance with our understanding.</p> <p>We confirmed that depreciation charges are materially in line with our expectations and that asset lives are reasonable and consistent with the previous year.</p> <p>We confirmed that provisions are not material to the Council's accounts.</p> <p>We reviewed the provision for impairment of receivables and found that the Council has a reasonable policy and has complied with it. The impairment is a high proportion at 59% of the total value of the current debtors, which suggests that some of the Council's debtors may now be irrecoverable and should be written off.</p>	 Green

Assessment

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Judgements - changes to the presentation of local authority financial statements	The Council has changed the presentation of its Comprehensive Income and Expenditure in line with the guidance from the Local Government Code, as well as introducing a new Expenditure and Funding Analysis	We concluded that the EFA disclosure is appropriate and in line with guidance in the Local Government Code of Accounting The restatement is currently explained within the narrative statement. Our interpretation of the Code is that the restatement should also be explained within the main body of the financial statements.	 Green
Going concern Page 30	The Executive Director for Resources and Regeneration has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continues to adopt the going concern basis in preparing the financial statements.	We concur that that the going concern basis of accounting is appropriate. In our view it would be good practice to include an explicit statement of why the going concern assumption is appropriate. In reviewing the information supporting the going concern assumption we noted that the Council has a cash flow projection which runs to the end of March 2018. We did not identify any concerns with the Council's liquidity or cash flow but we consider it would be good practice to produce a rolling cash flow projecting forward for a period of at least 12 months.	 Amber
Other accounting policies	The Council has a full suite of accounting policies which are in line with the examples in the Code	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 Green

Assessment

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Panel Committee. We have not been made aware of any other incidents of material fraud in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council, including specific representations in respect of the Group, which is appended.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests in respect of cash, investments and loans. This permission was granted and the requests were sent and have been returned with positive confirmation. In cases where requests were not received we undertook alternative procedures, including confirming balances directly with the bank from the Council's systems.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material disclosure omissions in the financial statements. A number of minor points were discussed with management.

Page 31

Other communication requirements continued

	Issue	Commentary
7.	Matters on which we report by exception	<p>We have not identified any issues we would be required to report by exception in the following areas</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8. Page 32	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £350 million we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. Note that work is not yet completed and the planned timescale for the work is to carry out the work before the end of September 2017.</p>

Internal controls

A number of significant control issues were raised by internal audit during the course of the year, particularly in their reports on accounts payable, accounts receivable and banking. These reports led to a rating of “limited assurance” in the Head of IA opinion. We have had due regard to these reports in our testing strategy but have not duplicated those findings here.

	Assessment	Issue and risk	Recommendations
1.	●	<p>We carried out a high level review of IT controls at the Council and at the shared service provider, focussing on the interface between the two. Consistent with previous years the review highlighted significant issues specifically around default passwords and accounts, audit logs, change management, separation of duties and access controls.</p> <p>We have reported these findings in detail to management in a separate paper and we have discussed these with the Head of Financial Services.</p> <p>We understand the Council is considering the future of its IT arrangements following the expiry of the current shared services contract.</p>	<p>Review the findings on IT controls and security arrangements with a view to strengthening these now and under any future IT service arrangements.</p>

Page 33

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

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

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Page 34	X	<p>We carried out a high level review of IT controls at the Council and at the shared service provider, focussing on the interface between the two. The review highlighted some significant issues specifically around separation of duties and access controls. These findings are consistent with our audit of last year and with reports from internal audit this year. We have reported these findings in detail to management in a separate paper and we have discussed these with the Head of Financial Services, involving our Senior IT Specialist in that discussion.</p> <ul style="list-style-type: none"> We recommended management review and improve access controls and separation of duties in IT systems with a focus on the detailed findings of our review. 	<p>Our findings this year have been consistent with the previous year, see previous page. We have discussed these ongoing concerns with management.</p>
	✓	<p>The Council's processes and quality control over PPE valuations are weak. We saw little evidence of checking of the valuer's report or of reconciliation between the report, the asset register and the accounts.</p> <p>When we carried out the reconciliation as part of our audit we noted several issues including</p> <ul style="list-style-type: none"> Assets double counted Assets which the Council does not own Assets recorded at the wrong value <ul style="list-style-type: none"> We recommended management strengthen quality control procedures to include management oversight of PPE valuations, to identify errors and omissions before the accounts are presented to audit 	<p>The Council has addressed these issues in 2016/17. We did not identify any material errors or omissions in PPE accounting and the Council demonstrated good controls, including checks and reconciliations.</p>

Assessment
 ✓ Action completed
 X Not yet addressed

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3.	✓	<p>The legislation for public inspection of the accounts has changed this year, with the introduction of the Local Audit and Accountability Act 2014.</p> <p>Although management knew about the revised legislation they were not aware that the public inspection period should include the first ten working days of July. Consequently they began the inspection period on 21 July, which ran for the full 30 day period as required.</p> <ul style="list-style-type: none"> We recommended that for 2017, management ensured full compliance with the public inspection requirements of the Local Audit and Accountability Act. 	<ul style="list-style-type: none"> The Council has addressed this point in 2016/17. There were no issues of compliance in the current year.

Page 35

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

We did not identify any misstatements affecting the Council's income and expenditure position or balance sheet.

Unadjusted misstatements

We did not identify any misstatements which management declined to amend.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	15,302	Grant income	Misclassification between grant income and general government grants, which is a recurring issue from 2015/16.
2 Disclosure	30,354	Transfers to / from earmarked reserves	Formula error in the consolidated MiRS table (2015/16) only affects one line in the table

Page
4
38

Section 3: Value for Money

Page 39

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Other statutory powers and duties
- 05. Fees, non-audit services and independence
- 06. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

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

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2017.

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

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

Significant qualitative aspects

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

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

- The Council continues to face faced significant budget pressures in key service areas, in particular adults and children's social care services.
- There is a continuing need to identify a significant level of savings as part of the Council's medium term financial challenge.
- During the year there was significant adverse publicity concerning the governance arrangements around a planning decision in New Bermondsey. This is currently subject to an independent inquiry.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 29 to 33.

Overall conclusion

Based on our review to date, we have not identified any significant issues in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

However we are unable to issue a vfm conclusion at this time. In our audit plan we reported a significant risk in respect of widely reported allegations of poor governance concerning the New Bermondsey planning decision. The inquiry into this is ongoing and we understand is due to report by December. We plan to issue our vfm conclusion after we had an opportunity to consider this report.

The text of our proposed report can be found at Appendix B.

Key findings

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

Significant risk	Work to address	Findings and conclusions
<p>Budget management The Council reported a forecast outturn of a £11.6 million overspend to the January meeting of the Public Accounts Committee. There is a risk that in year financial management is not adequate to deliver a sustainable financial position.</p>	<p>We will update our understanding of the pressures affecting the 2016/17 budget.</p> <p>We will consider whether the Council has adequate arrangements to manage those pressures and to secure a sustainable financial position.</p> <p>We will consider the Council's approach towards use of reserves.</p>	<p>Summary findings</p> <ul style="list-style-type: none"> In 2016/17 the Council experienced significant budget pressures resulting in overspends in key demand led service areas, particularly adults and children's social care and environment services. This was in part mitigated by underspends in other service areas, use of corporate contingencies and use of reserves. The Council is experiencing similar budget pressures in 2017/18. Sound budgetary control arrangements are in place to mitigate this including Directorate Expenditure Panels and Corporate Expenditure Panels. <p>While the whole sector continues to experience financial pressures, the Council has well established arrangements to manage the impact of its cost pressures. It also has a healthy balance sheet and reserves position sufficient to maintain financial resilience for the foreseeable future. In our view the risk is mitigated and an unqualified conclusion is appropriate in respect of this risk.</p> <p>2016/17 Financial Performance</p> <p>The outturn report 2016/17 shows the budget overspend at Directorate level was £9.8 million, which reduces to £7 million after applying a corporate contingency of £2.8 million. The overspend is carried forward into 2017/18 and added to the savings challenge in the current year.</p> <p>Key areas of overspend are in children's social care (£2.2 million) and adults social care (£5.2 million). The number and cost of placements appears higher than some other authorities and the Council is seeking to better understand the reasons for this.</p> <p>Other areas of overspend include environmental services £2.2 million, schools transport £1.2 million and slippage on planned savings schemes.</p> <p>Overspending service areas were partly mitigated by underspends in other budget areas including the Better care fund £0.7 million, Cultural and community services £1.5 million, Temporary accommodation £1.5 million and a £2.4 million underspend in the Resources and Regeneration Directorate</p> <p>The Housing Revenue Account made a surplus of £14.2 million, which is £4.1 million more than budgeted. The surplus will be used to help fund the Council's medium term housing programme. This will be reinvested as part of the 30 year business plan and used to fund decent homes and provide new homes in the Borough.</p>

Key findings (continued)

Significant risk	Findings and conclusions (continued)
<p>Budget position and medium term financial planning (continued)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 43</p>	<p>Use of reserves</p> <p>As in previous years the Council has had to balance its revenue position through the use of reserves. Unlike in previous years this has resulted in an overall reduction in the level of revenue reserves by £3 million in 2016/17.</p> <p>Whilst this is not a sustainable solution in the long term, your 2016/17 financial statements show the level of general fund reserves is £13 million and earmarked revenue reserves is close to £150 million. The Council has a robust balance sheet position with large balances of cash and investments. This shows that the overall level of reserves is sufficient to mitigate short term risks and challenges.</p> <p>Benchmarking data</p> <p>Public Sector Audit Appointments has recently published its value for money profiles, which compare available cost data between English councils. The data is by its nature retrospective and shows that spending per head of population is slightly higher than, but not significantly out of line with statistically similar councils. Spending was also above average on the significant council services adults social care, children’s social care and environmental services,</p> <p>2017/18 financial position</p> <p>In 2017/18 the Council is forecasting a £12.8 million overspend at Directorate level. This far exceeds the corporate fund of £2.1 million, which is held for overspends, risks and pressures. The overspending is a consequence of ongoing demand pressures affecting the sector and of non-delivery of savings, As at July 2017 the Council was forecasting that £18.8 million of savings would be delivered compared with a plan of £22.2 million – a shortfall of £3.4 million.</p> <p>The Council is continuing to manage the pressures. The Council has a system of Directorate Expenditure Panels which meet weekly to consider the Council’s spending commitments. Since 2016 the Council also introduced a weekly Corporate Expenditure Panel, led by the Executive Director for Resources and Regeneration, as an additional level of scrutiny and challenge.</p> <p>Children’s social care</p> <p>The largest ongoing area of overspending in 2017/18 is in children’s social care at around £5 million. While the numbers of cases are stable, the unit costs of placements and foster care are very high. The Council has been working on a road map to address the pressures in children’s social care. Key to this is building capacity through a bank of local foster carers as an alternative to expensive agency carers or residential placements.</p> <p>Environment services</p> <p>Environmental services are forecast to be £2.4 million overspent in 2017/18. One of the key areas of overspending is in waste disposal, in which costs are high and rising largely due to the growing population in London. The Council is actively exploring different solutions to reducing costs in this area, including possible shared services with a neighbouring Borough and centralising depot operations.</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
<p>Savings and medium term financial planning The budget for 2017/18 includes savings of £23.2 million. This is a significant challenge following on from savings already made.</p>	<p>We will consider and report on the Council's arrangements to identify and deliver efficiencies towards a sustainable medium term financial position.</p> <p>As part of this we will update our understanding of how the Council is working with partners in the local health economy to achieve savings from health and social care integration.</p>	<p>Summary findings</p> <ul style="list-style-type: none"> The Council continues to face a challenging financial outlook, with significant economic and political uncertainties. However the Council has a strong track record of achieving required efficiencies and has established arrangements in place. The Council's plans strike a balance between cost reduction, revenue growth and maximising available sources of funding. As part of this agenda the Council is developing an increasing focus on commercialisation <p>On this basis we consider that the risk is mitigated and an unqualified conclusion is appropriate in respect of this significant risk.</p> <p>The financial outlook in the medium term remains very challenging for local government, with significant uncertainties over the economic and political environment. Beyond 2020 it is difficult to predict what the size of the challenge is as this will depend on the decisions of a future government. The Council has made prudent assumptions about its future funding including:</p> <ul style="list-style-type: none"> Government will phase out the Revenue Support Grant NNDR will be completely devolved to local government Council tax increases continue to be capped below 2 per cent, with a precept for social care. <p>The Council has modelled best and worst case scenarios and under these and other assumptions the Council's best estimate of future savings requirements is:</p> <ul style="list-style-type: none"> 2018/19 £21 million 2019/20 £11 million 2020/21 £10 million 2021/22 £ 9 million <p>Substantially all of these savings still need to be identified and developed, however the Council has a strong track record of implementing savings. The Council has already made savings of £138.4 million between 2010/11 and 2016/17.</p> <p>Recent savings plans have had a strong focus on growth and income as well as on cost savings. The Council is involved in a number of significant regeneration developments including the Bakerloo extension, Convoys Wharf, Catford regeneration, New Bermondsey and Deptford. As these regeneration schemes come to fruition they are likely to significantly improve the tax base and future savings assumptions.</p> <p>As part of the overall savings challenge the Council has a focus on growing sources of sustainable income. As well as growing the tax base the Council is focussed on appropriately taxing the existing tax base. Recent papers to the Public Accounts Select Committee show how the Council is also seeking to create a more commercial mindset and a commercial culture through the organisation. The Council is appointing to key posts to support this priority.</p>

Key findings (continued)

Significant risk	Findings and conclusions (continued)
<p>Savings and medium term financial planning The budget for 2017/18 includes savings of £23.2 million. This is a significant challenge following on from savings already made.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 45</p>	<p>The medium term financial plan is led by the Lewisham Futures Board, which leads the development of savings options for the Mayor and cabinet to consider. Its focus is on implementing the £22 million savings for 2017/18 and identifying options for 2018/19 and 2019/20. The current plan for the next two years 2018/19 and 2019/20 is based around 18 strategic work streams or themes, the key ones being.</p> <ul style="list-style-type: none"> A - Smarter and deeper integration of health and social care £9.2 million E – Asset rationalisation - £ 6.6 million I – Management and Corporate Overheads - £4.9 million N – Environmental Services - £3.4 million Q – Safeguarding and Early intervention £ 2.6 million <p>The Council is seeking to make the programme more manageable by reducing the number of work streams from 18 to about 9-10. Each work stream has a Head of Service Lead and is based around the teams that are responsible for the respective budgets. They have removed cross cutting work streams in order to keep the projects aligned more with the management structures.</p> <p>Smarter and deeper integration of health and social care</p> <p>Adults social care is the Council’s largest general fund budget and one of the key pressure areas. Costs have ben increasing year on year due to increases in population, demographic changes, increasing complexity of cases and rises of unit costs. As a London living wage employer the Council’s costs and the costs of its providers are higher than some other London Boroughs.</p> <p>The Council is also affected by the significant financial challenges in the health sector. Reconfiguration of health services and initiatives to release hospital capacity through transfers of care are a pressure to the Council, whose involvement in the Sustainability and Transformation Plan (STP) has been limited to date as the plan has been led by the health sector.</p> <p>The Better Care Fund is designed to address these pressures and to create capacity for the whole health and social care system. In 2017/18 the Council is eligible for Improved Better Care funding of £7.5 million. Added to this the Council is able to levy a social care precept of 2% this year and for the next two years. This means that adult social care is less of a budget pressure in the current year than it was in 2016/17, with the overspend forecast to be £1.1 million. This has also offset the need to make significant savings in 2017/18 and means that the Council has another year in which to develop its detailed proposals for sustainable savings, which were presented in outline to the Scrutiny Committee in September 2016. These include increased charging, demand management of accommodation, use of technology and reducing day care.</p> <p>Long term borrowing</p> <p>The Council has also been reviewing the cost of its long term borrowing, including its Lender Option Borrower Option (LOBO) loans which were all taken out before 2006. Options for replacing or reprofiling those loans are being considered which have the potential to reduce the long term cost and risk to the Council.</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
<p>New Bermondsey planning decision</p> <p>There has been extensive reporting and public interest around the planned redevelopment at New Bermondsey for which the Council is seeking an independent review. Allegations of poor governance have been levelled at senior politicians and senior officers.</p>	<p>We will update our understanding of this development and any emerging findings from the review.</p> <p>We will consider whether any issues regarding the Council's governance and decision making are a risk to the Council's arrangements to secure economy, efficiency and effectiveness.</p>	<p>Summary findings</p> <ul style="list-style-type: none"> The Council's inquiry is ongoing and has not reported at the time of giving our audit report. Because of this we are not able to conclude against this significant risk at this stage. We will revisit the value for money conclusion when the inquiry findings are available, <p>The developer "Renewal" is seeking to develop the area around Millwall football club in Bermondsey. The developer has already acquired land in South Bermondsey and is seeking to acquire the remaining land through a CPO in order to progress the regeneration scheme. The development is planned to deliver 2,400 new homes, an overground station and would include plans for a sports village. A charitable company Surrey Canal Sports Foundation has been established to develop the sports village.</p> <p>To date the Council has been supportive of the regeneration because of the advantages it would bring in terms of new homes and quality sporting facilities, and the benefits to the local economy. The Council voted in favour of granting the proposed Compulsory Purchase Order in late 2016.</p> <p>The CPO includes land currently owned by Millwall football club and the order has met significant resistance from the club and its supporters, who claim this purchase could lead to the club having to relocate outside the Borough. The Council disputes that this is the case. Other aspects of the scheme have also caused controversy.</p> <ul style="list-style-type: none"> Adverse publicity has been generated from local residents who could have to leave their homes under the CPO. Allegations of conflicts of interest due to the Council's mayor also being a trustee of the Surrey Canal Sports Foundation (although the mayor was not involved in the planning decision). Concerns that the Chief Executive of Renewal is also a former Senior Officer at the Council. Allegations that false or misleading claims were made about Surrey Canal Sports Foundation having funding from Sport England and that this may have influenced the decision making. <p>These concerns have generated significant coverage in the local and national media and in January 2017 the Council decided to stop the Compulsory Purchase Order. A new decision will be made in due course.</p> <p>In response to the allegations and adverse publicity the Council has started an independent inquiry into the planning decision, which is being led by Lord Dyson, a former master of the rolls.</p> <p>Lord Dyson has a wide ranging remit in which he will look at the Council's decision making and planning processes, the alleged conflicts of interest and the risk management over the CPO decision. The cost of the investigation is capped at £0.5 million. The deadline for submission of evidence was 16 June with interviews taking place over the Summer. The report is expected by December 2017.</p>

Significant difficulties in undertaking our work

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

Significant matters discussed with management

In the course of our work we have discussed the New Bermondsey inquiry with management. We are aware that there is currently an independent inquiry into the planning decision and that it is not likely to report until December 2017.

On this basis we are not able at this stage to reach a conclusion against the significant risk we identified at the planning stage. When an output is available from the inquiry we will consider this in reaching our vfm conclusion.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Other statutory powers and duties

Page 48

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Other statutory powers and duties**
- 05. Fees, non audit services and independence
- 06. Communication of audit matters

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

	Issue	Commentary
1.	Public interest report	<ul style="list-style-type: none"> We have not identified any matters that would require a public interest report to be issued
2.	Written recommendations	<ul style="list-style-type: none"> We have not made any written recommendations that the Council is required to respond to publicly
3.	Application to the court for a declaration that an item of account is contrary to law	<ul style="list-style-type: none"> We confirm we have not used this duty
4.	Issue of an advisory notice	<ul style="list-style-type: none"> We confirm we have not used this duty
5.	Application for judicial review	<ul style="list-style-type: none"> We confirm we have not used this duty

Page 49

During the statutory inspection period we received two formal objections from local electors which related to the Council’s Lender Option Borrower Option loans. We received a third objection concerning the Council’s PFI schemes. The objectors have asked us to consider issuing a public interest report. We are still considering these objections and our response to them. We are unable to fully conclude this audit until we have responded to these objections.

Section 5: Fees, non-audit services and independence

Page 50

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Other statutory powers and duties
- 05. Fees, non audit services and independence**
- 06. Communication of audit matters

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

Fees

	Proposed fee £	Final fee £
Council audit	193,233	193,233
Grant certification	41,235	41,235
Total audit fees (excluding VAT)	234,468	234,468

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

Page 51

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all non-audit services which were identified.

Fees for other services

Service	Fees £
Audit related services:	
• Housing capital receipts pooling return	3,000
• Teachers pensions return	6,000
Non-audit services	
• Place analytics 3 year subscription	26,000

Independence and non-audit services

We have considered whether non-audit services might be perceived as a threat to our independence as the group's / Council's auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees	Threat?	Safeguard
	Pooling of capital receipts	3,000	• No	
	Teachers pension return	6,000	• No	
	3 year subscription to Place analytics service	26,000	• No	
	TOTAL	£35,000		

Page 52

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

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Page 53

Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
Matters in relation to the group audit including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

Appendices

A. Action Plan

B. Audit Opinion

Page 55

A. Action plan

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	It would be good practice for the Council to make an explicit statement of why the going concern is appropriate.	Low		
2.	Produce and maintain a rolling 12 month projection of cash flow projections for the year ahead	Medium		
3.	Review the findings on IT controls and security arrangements with a view to strengthening these now and under any future IT service arrangements.	Medium		
4.	Review current debtors which have been impaired, to identify those debtors which should more appropriately be written off.	Low		
5.	Review the benchmarking data in the PSAA profiles to identify those service areas which may be more expensive than other comparable councils.	Low		

Page 56

Controls

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

B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF LEWISHAM

We have audited the financial statements of London Borough of Lewisham (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Executive Director for Resources and Regeneration and auditor

As explained more fully in the Statement of Responsibilities, the Executive Director for Resources and Regeneration is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error

. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director for Resources and Regeneration; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

We are still considering the Council's governance arrangements in respect of a planning decision for regeneration in the Borough, which is subject to an independent inquiry. The Council is still awaiting publication of the inquiry and until this is published we are not able to conclude on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2017. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Act and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2017 in accordance with the requirements of the Act and the Code of Audit Practice until we have completed our consideration of objections brought to our attention by local authority electors under Section 27 of the Act. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

2nd Floor
St Johns House
Crawley
RH10 1HS

September 2017



© 2017 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk

The Audit Findings for Lewisham Council Pension Fund

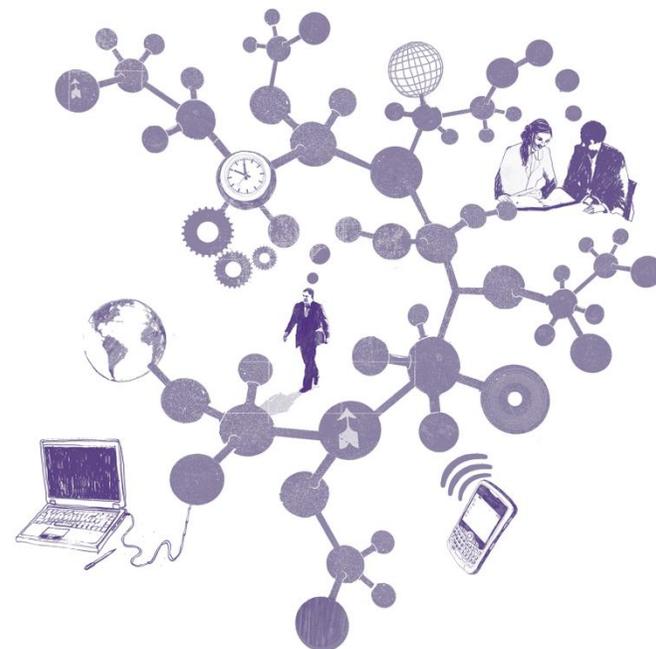
Year ended 31 March 2017

August 2017

Darren Wells
Director
T +44 (0)1293 554 120 E
Darren.j.wells@uk.gt.com

Jamie Bewick
Senior Manager
T +44 (0)1293 554 138
E jamie.n.bewick@uk.gt.com

Crystal Braganza
Executive
T 0207 728 2039
E crystal.c.braganza@uk.gt.com



London Borough of Lewisham Pension Fund
Town Hall
Catford
London, SE6 4RU

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP
+44 (0)20 7383 5100

www.grant-thornton.co.uk

August 2017

Dear Members

Audit Findings for Lewisham Council Pension Fund for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of in the case of Lewisham Pension Fund, it is the Audit Panel), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents **will be** discussed with management.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Darren Wells

Engagement lead

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	6
3. Fees, non-audit services and independence	17
4. Communication of audit matters	19

Appendices

Action plan
Audit opinion

Page 62

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Page 63

Purpose of this report

This report highlights the key issues affecting the results of the Lewisham Council Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Review of the final version of the financial statements
- Obtaining and reviewing the management letter of representation and
- Updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements ahead of the submission deadline and carried out our audit in the last two weeks of June, as in our agreed timetable.

At the conclusion of our audit we will meet with management to discuss how further improvements and efficiencies could be made to next year's process.

Key audit and financial reporting issues

Financial statements opinion

We have not identified adjustments affecting the Fund's reported financial position. The draft financial statements for the year ended 31 March 2017 recorded net assets of £1,274,569k.

The key messages arising from our audit of the Fund's financial statements are:

- We have worked with the Council to achieve an early audit sign-off. To this end, the Council submitted its accounts to us on **30 May 2017** ahead of the required statutory deadline and we carried out our audit in late June.
- The financial statements presented for audit were of a good quality overall and we did not identify any material adjustments.
- Working papers were provided at the start of the audit and management responded promptly to our audit queries. In some cases the working papers provided could not easily be reconciled to the financial statements, which led to a further work and follow up queries. As a consequence the audit took slightly longer to carry out than in previous years.
- We have identified a number of classification adjustments and amendments to improve the presentation of the financial statements.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Controls

Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Audit Panel.

Findings

Our work has not identified any significant control weaknesses which we wish to highlight for your attention. Improvement points are highlighted in the controls section of this report.

The way forward

Matters arising from the financial statements audit of the Fund have been discussed with the Head of Corporate Resources and the pension fund finance team.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Head of Corporate Resources and the pension fund finance team.

Acknowledgement

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

Grant Thornton UK LLP
July 2017

Section 2: Audit findings

Page 66

01.	Executive summary
02.	Audit findings
03.	Fees, non audit services and independence
04.	Communication of audit matters

This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £10,414k (being 1% of net assets as at 31 March 2016). We have considered whether this level remained appropriate during the course of the audit and have used the same basis (being 1% of net assets as at 31 March 2017). Our overall materiality is therefore £12,746k.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £521k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that a separate materiality level was appropriate. This remains the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash	Material by nature	£500k

Page 67

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Lewisham Council Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Lewisham Council as the administering body, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Below is a summary of work performed:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process • Review of unusual significant transactions • Selection of unusual journal entries for testing back to supporting documentation for months 1-12 	<p>Our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We did not identify, nor have been made aware of, any unusual significant transactions.</p>

Page 68

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Level 3 Investments (Valuation is incorrect) Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 69</p>	<ul style="list-style-type: none"> • We have updated our understanding of your process for valuing Level 3 investments through discussions with relevant personnel from the Pension Fund during the interim audit. • We have tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. • We reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments 	<p>Our audit work has not identified any issues in relation to the valuation of Level 3 investments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment purchases and sales	Investment activity not valid. Investment valuation not correct	We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances ,	Our audit work has not identified any issues in relation to this risk.
Investment values – Lev 2 investments	Valuation is incorrect. (Valuation net)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances 	Our audit work has not identified any significant issues in relation to the risk identified
Contributions	Recorded contributions not correct. (Occurrence)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. We have tested controls testing over, completeness, accuracy and occurrence of contributions. We have rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained. 	Our audit work has not identified any significant issues in relation to the risk identified

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Benefits payable	Benefits improperly computed/claims liability understated. (Completeness, accuracy and occurrence)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. Tested a sample of individual pensions in payment by reference to member files. 	Our audit work has not identified any significant issues in relation to the risk identified
Member Data	Member data not correct. (Rights and Obligations)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. Sample tested starters, leavers and changes to member data made during the year to source documentation Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained. 	Our audit work has not identified any significant issues in relation to the risk identified

Page 71

Going concern

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

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and we concur with management’s judgement that it is appropriate to prepare the accounts on a going concern basis.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Council's policy for Contribution income is set out in note 6: Contributions Receivable	We conclude your revenue recognition policy appears to be consistent with our audit of the Pension Fund financial statements and we had no concerns over the Council's treatment of revenue.	● (Green)
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Valuation of level 3 investments Valuation of fund 	<p>We reviewed your key estimates and judgements made by management within the material notes to the accounts. For the disclosures listed, we concluded they appear to be consistent in all material aspects with the guidance set out in the Code of Practice of Local Authority Accounting 2016/17.</p> <p>Your valuations are all based on reports from expert fund managers and we had no concerns over the methods of estimation used.</p>	● (Green)
Going concern	The Officers have a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continue to adopt the going concern basis in preparing the financial statements.	We are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	● (Green)
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice. The Fund's accounting policies are appropriate and consistent with previous years.	● (Green)

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Panel. We have not been made aware of any other incidents in the period that are material to the accounts and no other issues have been identified during the course of our audit procedures
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Fund.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests in respect of cash and investments. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> We highlighted a number of amendments to disclosures which the Council has agreed to make in the revised financial statements. Amendments that are not trivial are highlighted on page 16 of this report.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2017 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

Page 73

Internal controls

We considered and walked through the internal controls for the main cycles including Contributions, Benefits Payable, and Member Data as set out on pages 10-13 above.

The controls were found to be operating effectively. Based on our work last year, management have introduced an additional manual authorisation for the authorisation of payments of pension lump sums. We specifically tested the operation of this control and found that it was operating as expected.

In our testing of new joiners we noted one case where there was a month's difference between the start dates in the pensions and payroll systems. The Council identified this error and the individual paid two months contributions in their second month.

We also noted that the Council's coding system does not identify benefit payments by type of organisation, and that therefore it is difficult for the Council to provide the breakdown and detail of benefits payments specified by the Code.

We have no other matters to report to the Audit Panel

Page 7

Adjusted misstatements

We did not identify any amendments affecting the net assets statement or the fund account.

Unadjusted misstatements

We did not identify any misstatements which the Council has declined to amend. Nor were there any uncorrected misstatements in the prior year.

"The purpose of an audit is for the auditor to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Note 2	Benefits payable are disclosed on the face of the Fund Account as well as in Note 2. The disclosure in Note 2 is not in line with the CIPFA Pension Fund example accounts as it does not separately disclose lump sums and benefits for scheduled and admitted bodies.
2 Classification	3,453 and 61	Note 5a	Upon receiving updated workings for this note, four classification changes have been noted as required to note 5a: 1) Pending trades (assets line) to amended from NIL to £2,700k 2) Dividends and Income to amend from (336k) to £418k 3) Pending trades (liabilities line) to amend from NIL to £(3,453k) 4) Other current liabilities to amend from (£537k) to (£475k)
3 Disclosure	509	Note 5b	Several amendments required to the market price table. Transposition errors of other assets and property. The percentage change in market value should be 7.2 per cent. Applying these changes to total assets amends the "value on decrease" figure from £1,180,019k to £1,179,510k, when this is applied to the correct model.

Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Page 70

We confirm below our final fees charged for the audit

Fees

	Per Audit Plan £	Actual fees £
Pension fund scale fee	21,000	21,000
Total audit fees (excluding VAT)	21,000	21,000

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- There are no non-audit or audited related services have been undertaken for the Fund

Section 4: Communication of audit matters

Page 78

- 01. Executive summary
- 02. Audit findings
- 03. Fees, non audit services and independence
- 04. Communication of audit matters**

Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

A. Action plan

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	Review the format of disclosures in the accounts for consistency with the Code and model accounts, particularly with respect to benefit payments.	Medium		
2.	Review working papers and ensure they can be clearly reconciled to the pension fund accounts.	Medium		
3.	As part of the contribution reconciliation, follow up cases where a new joiner has not contributed so that the correct start-date can then followed through and updated accordingly in the pensions system Altair.	Low		
4.	Review the ledge coding structure for pensions benefit payments so that the Council is able to extract the information required for for benefits disclosures.	Low		

Page 80

Controls

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

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEWISHAM PENSION FUND

We have audited the pension fund financial statements of Lewisham Pension Fund (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Executive Director for Resources and Regeneration and auditor

As explained more fully in the Statement of Responsibilities, the Executive Director for Resources and Regeneration is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

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

This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director for Resources and Regeneration; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

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

2nd Floor St Johns House
Haslett Avenue West
Crawley
RH10 1HS

September 2017



© 2017 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk

AUDIT PANEL			
Report Title	Final Accounts 2016/17 – London Borough of Lewisham’s response to Grant Thornton’s external audit reports		
Key Decision	No	Item No.	
Ward	ALL		
Contributors	Executive Director for Resources and Regeneration		
Class		Date:	14th September 2017

1 PURPOSE

- 1.1 The purpose of this report is to respond to the external auditor’s Audit Findings Reports on the 2016/17 audit of the Council’s Main Accounts and Value for Money conclusion, and the 2016/17 Pension Fund Accounts. These audit findings are attached to the previous item on this agenda, and contain:

“... the key issues affecting the results of London Borough of Lewisham ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2017 ... (and) whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared ... (and) whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ...”

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

2 EXECUTIVE SUMMARY

- 2.1 The Council has a statutory requirement to approve and publish its audited Statement of Accounts by 30 September each year. The pre-audit 2016/17 Accounts were considered and noted by the Audit Panel on 20 June 2017. Since then, Grant Thornton have been carrying out their external audit, and the final audited 2016/17 Accounts will be submitted to Council for approval on 20 September 2017.

3 RECOMMENDATION

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

4 POLICY CONTEXT

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

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

5 AUDIT OF ACCOUNTS

5.1 Since the pre-audit accounts were completed at the end of May 2017, they have been subject to extensive external audit by Grant Thornton and only a very limited number of minor changes have been agreed as necessary. At the time this report was despatched, the audits were substantially complete and Grant Thornton report that subject to the satisfactory completion of their outstanding work they anticipate providing unqualified opinions on the financial statements. Although Grant Thornton have not identified any significant issues in respect of the Council's Value for Money (VFM) arrangements, they are unable to issue a VFM conclusion at this time pending the outcome of the New Bermondsey Inquiry. Grant Thornton will give a verbal update on progress at the meeting and, along with senior council officers, will answer any questions as required.

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

5.3 Under the Council's constitution these matters are for the Council to determine. At full Council on 20 September 2017, Members will be invited to consider any comments from this meeting and recommended to note the Audit Findings reports and approve the audited Statement of Accounts.

6 AUDIT FINDINGS

6.1 There has been a marked improvement in the quality of the financial statements for 2016/17 compared to 2015/16, and as a result there are no significant issues to be brought to the attention of Members.

6.2 Nevertheless a very limited number of classification adjustments to the accounts have been agreed with the auditors. None of these affect the reported financial positions shown in the accounts and they do not affect the charge to the Council Tax or Housing Rents for the year.

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

- As indicated on page 6, the Council successfully produced draft financial statements by the target date of 31 May, in preparation for the new statutory deadline of publishing the audited accounts by 31 July in 2017/18. However, it was not possible for the audit to be fully completed by 31 July in 2016/17, because of unforeseen staffing issues on the audit side, as

explained on page 6. Council officers will continue to work closely with Grant Thornton in order to optimise the planning around timing, working papers and use of resources, with a view to achieving the new audit deadline of 31 July in 2017/18.

- Foremost amongst the improvements in 2016/17 is the fact that there were no issues identified with Property, Plant and Equipment (PPE) (as indicated on page 21). This had been an area of some concern in the previous year, but the issues were successfully addressed via significant managerial input, planning and review undertaken during the year. Nevertheless there will be a continued focus in 2017/18 on this and other potentially high-risk areas, to ensure that standards are maintained.
- Action will be taken to prevent a recurrence of the misclassification of grant issue mentioned on page 25. This should be straightforward to resolve via improved coordination of grant receivable.
- A review of the Council's IT controls is outlined on page 20, and these ongoing concerns have been discussed with senior management. The issues raised are similar to those raised in 2015/16, as mentioned on page 21.
- The Value for Money findings are summarised on pages 27 and 28, with the detail being set out on pages 29 to 33. Based on their review to date, Grant Thornton have not identified any significant issues in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. However, as noted on page 28, they are unable to issue a VFM conclusion at this time, because of a significant risk in connection with the New Bermondsey planning decision.
- The Action Plan (Appendix A on page 43) contains a small number of recommendations which have all been agreed with Grant Thornton.

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

- There were no material adjustments required to the final accounts; therefore the Fund's reported financial position is unchanged.
- There were four misclassifications identified in the notes to the accounts (all in Note 5a) relating to the nature of investments and how these are presented. Also, there were two disclosure changes required (in Notes 2 and 5b) regarding benefits payable and market prices, respectively. These have been agreed and the final accounts amended.
- All the accounting policies, estimates and judgements were judged as reasonable and no recommendations have been made for these in respect of the audit of the Pension Fund accounts.

7 ANNUAL GOVERNANCE STATEMENT

7.1 This document has been updated from that considered at the Audit Panel on 20 June 2017 and will be submitted to Council on 20 September 2017 for approval.

8 FINANCIAL IMPLICATIONS

- 8.1 There are no direct financial implications resulting from this report.
- 8.2 The cost of the external audit of the main accounts for 2016/17 was £193,000, with an estimated £41,000 for the certification of grant claims. The Pension Fund external audit cost was £21,000.

9 LEGAL IMPLICATIONS

- 9.1 The Accounts and Audit (England) Regulations 2015 require authorities to publish their Statement of Accounts after the external audit is completed no later than 30 September. The approval of the audited Statement of Accounts by Council on 20 September 2017 will satisfy this statutory requirement.
- 9.2 It is the role of the Audit Panel to receive, review and where appropriate, advise and make recommendations to the Council in relation to the external auditor's opinion and report to Members, and to monitor management action in response to issues raised by external audit.

10 EQUALITIES IMPLICATIONS

- 10.1 There are no equalities implications in this report.

11 CONSULTATION

- 11.1 Sections 25 to 27 of the Local Audit and Accountability Act 2014 give electors the right to inspect and make copies of the Accounts; also to question the auditor and make an objection. The Accounts are required to be available for public inspection for 30 working days prior to the planned conclusion of the audit and an advertisement placed on the Council's website to publicise this fact. This public inspection period ended on 01 August 2017. It is also a requirement that notice of the conclusion of the audit is advertised on the Council's website.
- 11.2 There are three objections that have been received by the auditors regarding the Accounts for 2016/17, two on the subject of LOBOs ('lender option borrower option' loans) and one on PFIs ('private finance initiative'). These are currently under consideration by Grant Thornton, but will not affect the date that the auditors sign off the Accounts; however they may delay the formal conclusion of the audit (which would normally occur shortly after the sign-off).

12 ENVIRONMENTAL IMPLICATIONS

- 12.1 There are no environmental implications in this report.

13 CRIME AND DISORDER IMPLICATIONS

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

14 BACKGROUND PAPERS

None

For further information on this report please contact:

Selwyn Thompson, Head of Financial Services – 020 8314 6932

David Austin, Head of Resources – 020 8314 9114

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



Darren Wells
Grant Thornton UK LLP
2nd Floor
St Johns House
Crawley
RH10 1HS

Janet Senior
Executive Director for Resources &
Regeneration
Laurence House
Catford
London SE6 4RU

direct line 020 8314 8013
fax 020 8314 3642
janet.senior@lewisham.gov.uk

date 20 September 2017
our reference
your reference

Dear Darren

**London Borough of Lewisham
Group Financial Statements for the year ended 31 March 2017**

This representation letter is provided in connection with the audit of the group financial statements of London Borough of Lewisham and its subsidiary undertakings for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

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

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the group and parent Council financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the group or parent Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the group and parent Council financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xiv We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

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

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

Annual Governance Statement

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

Narrative Statement

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

Approval

The approval of this letter of representation was minuted by the Audit Panel at its meeting on 14 September 2017.

Yours Sincerely,

Janet Senior
Executive Director for Resources & Regeneration

20 September 2017

Committee	Audit Panel	Item No	
Title	A Briefing on the 2016/17 Employment Profile		
Wards			
Contributors	Adam Bowles, Head of Organisational Development and Human Resources		
Class		Date	14 th Sept 2017

1 Summary and Purpose

This report provides information on key trends within the Council's workforce and an update on activity to ensure that the Council is a fair employer. A detailed profile of the workforce is attached as Appendix 1.

2 Recommendation

To discuss and note and the report.

3 Background

A profile of the Council's workforce is published annually. Key findings reproduced in this report are used to review the people management priorities of the Council.

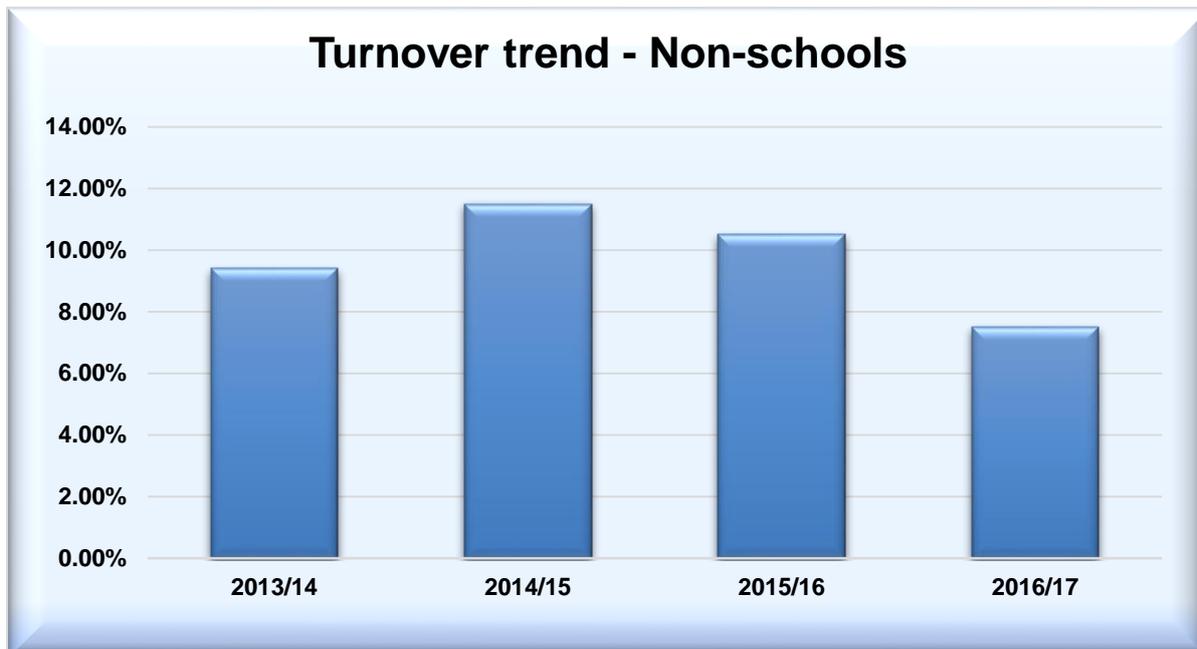
4 Employment Profile 2016/17 – Headline Figures and Trends

4.1 The Council employed 2209 non-schools employees as at 31 March 2017; 4807 schools employees, 101 (excluding schools) casuals/claims employees and 660 agency based workers.

4.2 In 2016/17 the number of non-schools employees reduced from 2300 at the beginning of the year, to 2209 by the year's end, a net reduction of 91 employees which is 4% of the workforce.

Total No of employees at April 2016	2300
No. of employees leaving on redundancy terms	- 75
Voluntary Severance	0
Voluntary /Other leavers	- 262
Less (Total Leavers 16/17)	1963
Add New Starters 16/17	246
Total No of employees at March 2017	2209

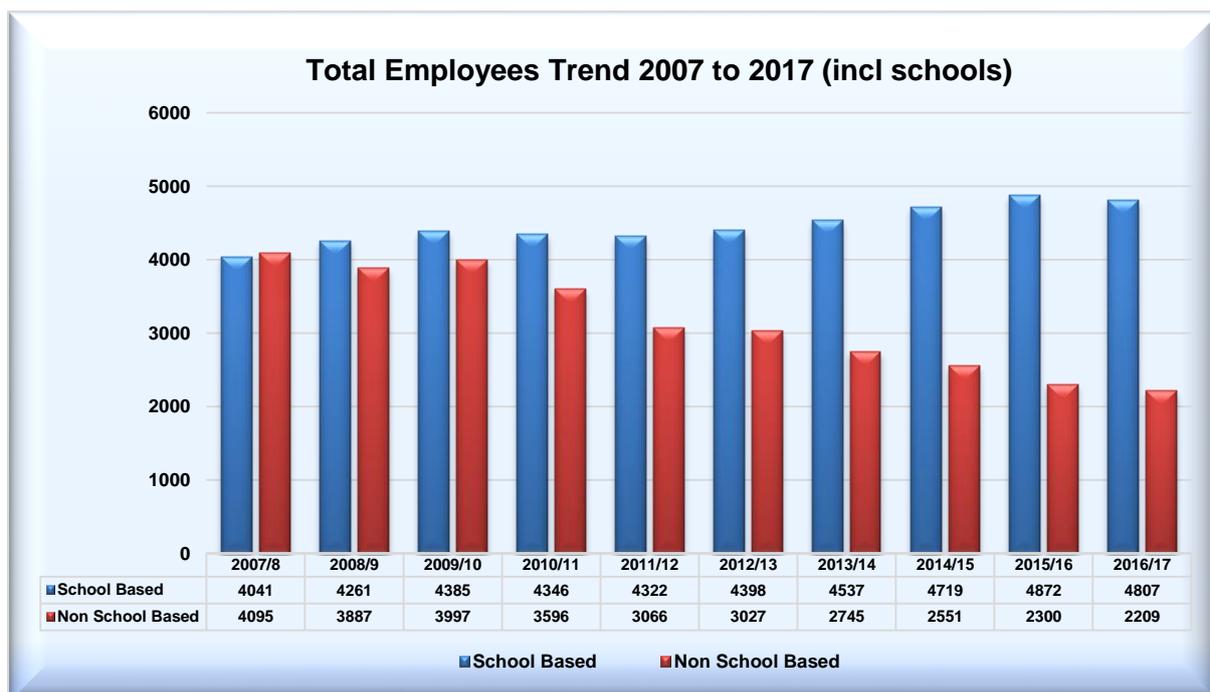
4.3 Turnover in 2016/17 was 7.5%, which is 3% points less than the previous year; the trend is outlined in the following table:



Analysis of the 169 voluntary leavers, identifies that turnover is highest (13%) amongst those with less than 5 years' service and age band turnover is highest amongst those aged 21-25. Analysis needs to be undertaken to identify the trends and reasons this may occur.

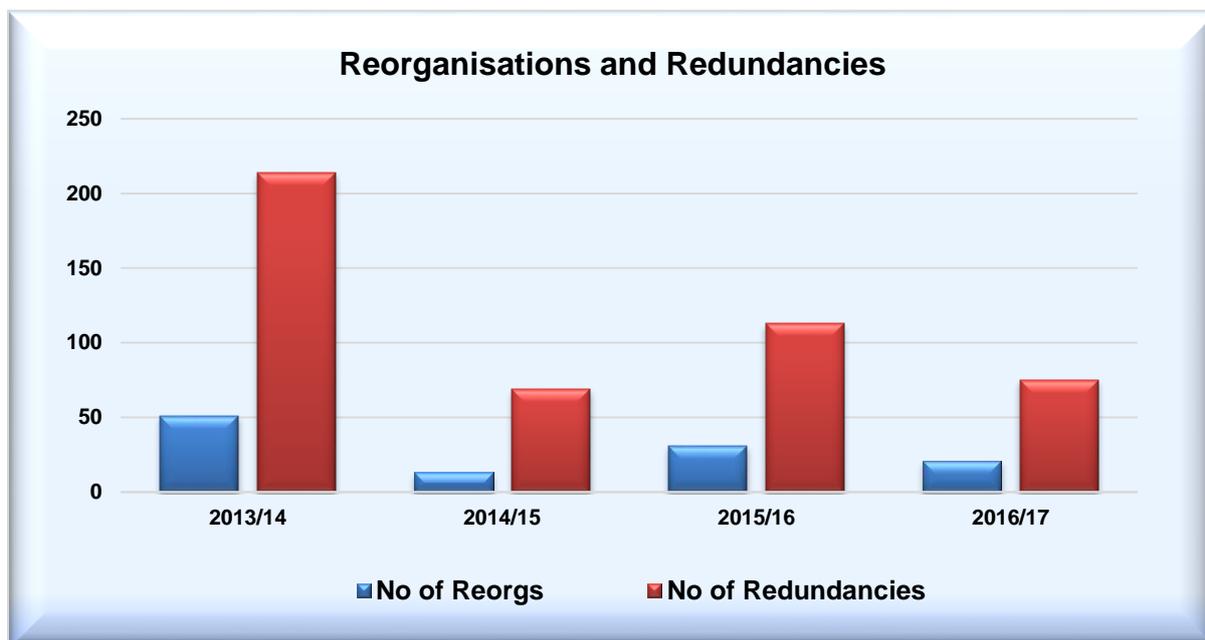
4.4 Agency employee numbers fluctuate throughout the year but the total number of agency personnel employed as at March 2017 was 660 (559 FTE) compared to 736 in March 2016 and 630 in March 2015. The average number of agency employees has decreased due to permanent recruitment being undertaken.

4.5 School based employees continue to increase in number while Council based employee numbers are reducing. Outlined below is a trend of the total number of employees between 2007 to 2016/17 (these figures include schools)



5 Organisational Change

5.1 The Council continues to assess the impact of redundancies using all the protected characteristics. There were 21 reorganisations in the last financial year which resulted in 75 employees being made redundant. The table below outlines the numbers of reorganisations and employees made redundant over the last 4 years.



5.2 The table below shows a breakdown by Directorate of the numbers of employees made redundant in 2016/17 resulting from 21 reorganisations.

Directorate	Total Redundancies	Total number of Reorganisations/redundancies
Community Services Directorate	51	2
Customer Services Directorate	2	11
Children & Young People Directorate	19	5
Resources & Regeneration Directorate	3	3
Total	75	21

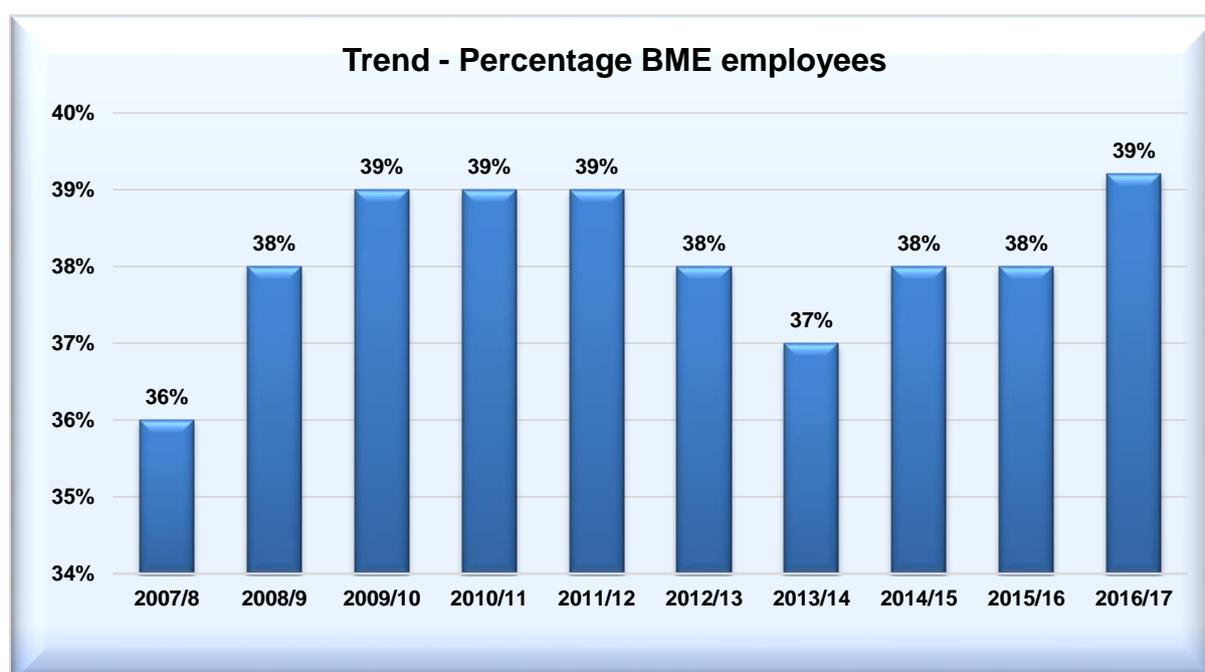
5.3 The table below provides a breakdown of employees made redundant by gender and shows that 72% were women which is broadly representative of the total number of female employees (61%).

Breakdown of Redundancies by Gender		
Gender	Total Redundancies	% Total Employees Redundant
Male	21	28%
Female	54	72%
Total	75	100%

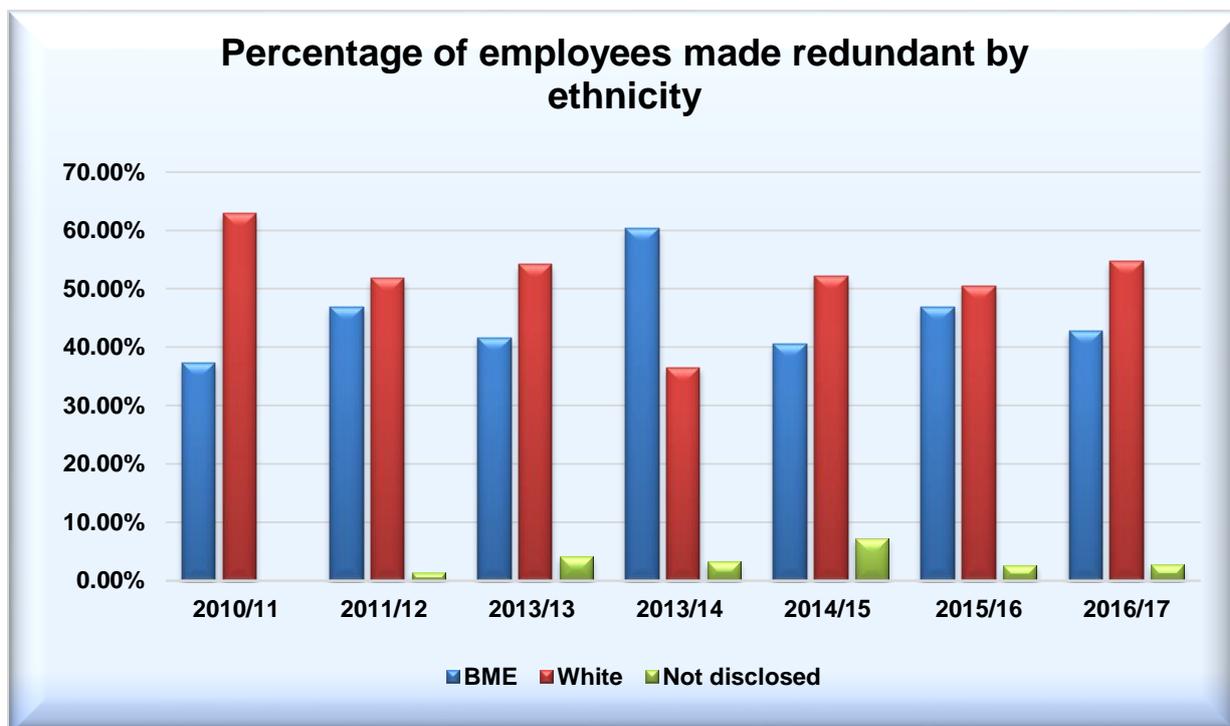
5.4 The table below provides a breakdown of redundancies by ethnicity. It shows a slightly higher percentage of redundancies amongst BME employees, when compared to percentage of BME employees employed in the Council which is 39%. The Council continues to monitor the impact of reorganisations on BME employees and will take appropriate action should this pattern continue.

Breakdown of Redundancies by Ethnicity		
Ethnic Origin	Total Redundancies	% Total Employees Redundant
BME	32	43%
White	41	55%
Not disclosed	2	2%
Total	75	100%

Below is a chart outlining 10 year trend of BME employees in the Council:



5.5 The next table provides a breakdown of the number of leavers over the last 5 years by ethnicity. The disproportionate impact on BME leavers in 2011/12 was due to the closure of the Domiciliary Care Service and the reorganisation of the Early Intervention Service. In 2013/14 the impact of the closure of the Early Years and Youth Service significantly affected who accounted for a total of 60% of the total leavers in that financial year. In 2014/15 the impact of the restructure in Service Point in Customer Services also significantly affected female BME employees. The percentage of BME employees made redundant in 2016/17 is representative of the percentage of BME employees in the council.



5.6 The table below provides a breakdown of leavers by age band and shows that there were significantly more leavers in the age ranges '45-54' and '55+' which given the numbers of Council employees in these age bands, is not unexpected.

Breakdown of Redundancies by Age		
Age	Total Redundancies	% of Total employees redundant
16-20	0	0
21-24	0	0
25-34	8	11%
35-44	10	13%
45-54	22	29%
55+	35	47%
Total	75	100%

6 Representation

6.1 The Council's workforce continues to be broadly representative of the community in terms of both the ethnicity and gender makeup of the local population. 39.2% of the Council's workforce is from a BME background; which compares to a median across London Councils of 41% BME employees. Of the 7.4% of employees (164 employees) promoted during 2016/17, 3.1% of the BME workforce were promoted.

6.2 Although the percentage of senior BME employees (those in grades SMG1 – SMG3) is below the Council's target at 14% - this percentage is broadly similar to previous year.

6.3 The BME workforce as at 2016/17 makes up 39.2% of all employees, a slight increase of 1% from the previous year. The percentage of the workforce classing their ethnicity as “unknown” is 5% although employees are asked to update their protected characteristics periodically. This is an improvement on last year.

6.4 The majority (60.5%) of the Council’s employees are women who are well represented at all grades including senior levels, with women making up 57% of the top 5% earners. This is higher than last year’s figure of 51% and compares to the median figure of 52% for all London Boroughs. ¹

6.5 Employers with more than 250 employees are now required by the Government to publish information on the gender pay gap in their organisation. The goal of the legislation requiring the report is to eliminate the gender pay gap from its current level of 18.1% nationally. The table below outlines the Council’s gender pay gap outlining both the mean and median salaries for both genders. Female employees are, on average, paid more than male employees at Lewisham Council and the percentage pay gap difference is -6.94% (mean) and -11.06% (median).

Gender Pay Gap		
	Mean Salary	Median Salary
Male	£32,452.38	£29,612.96
Female	£34,873.40	£33,294.00
Pay Gap	-6.94%	-11.06%

Full Time		
	Average Hourly rate	Average Hourly rate
Male	£17.78	£15.96
Female	£19.82	£19.03

Part Time		
	Average Hourly rate	Average Hourly rate
Male	£21.17	£18.24
Female	£20.24	£20.03

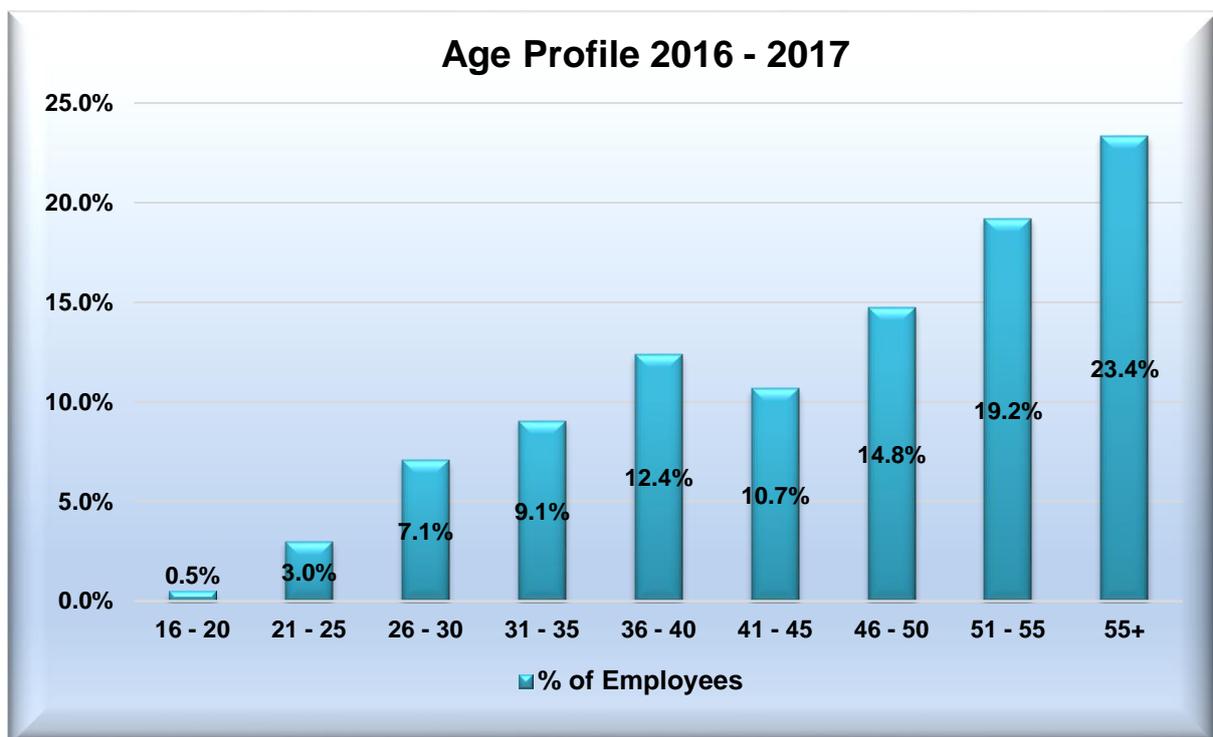
The table below details the proportion of men & women in each quartile of the pay structure to show the spread of male and female employees across the organisation.

Quartile			
	Upper Salary	No. of Men	No. of Women
1st Quartile	£25,875	344	227
2nd Quartile	£32,478	175	363
3rd Quartile	£38,532	152	413
4th Quartile	£142,536	202	333

¹ Human Capita Matrix survey 2015/16

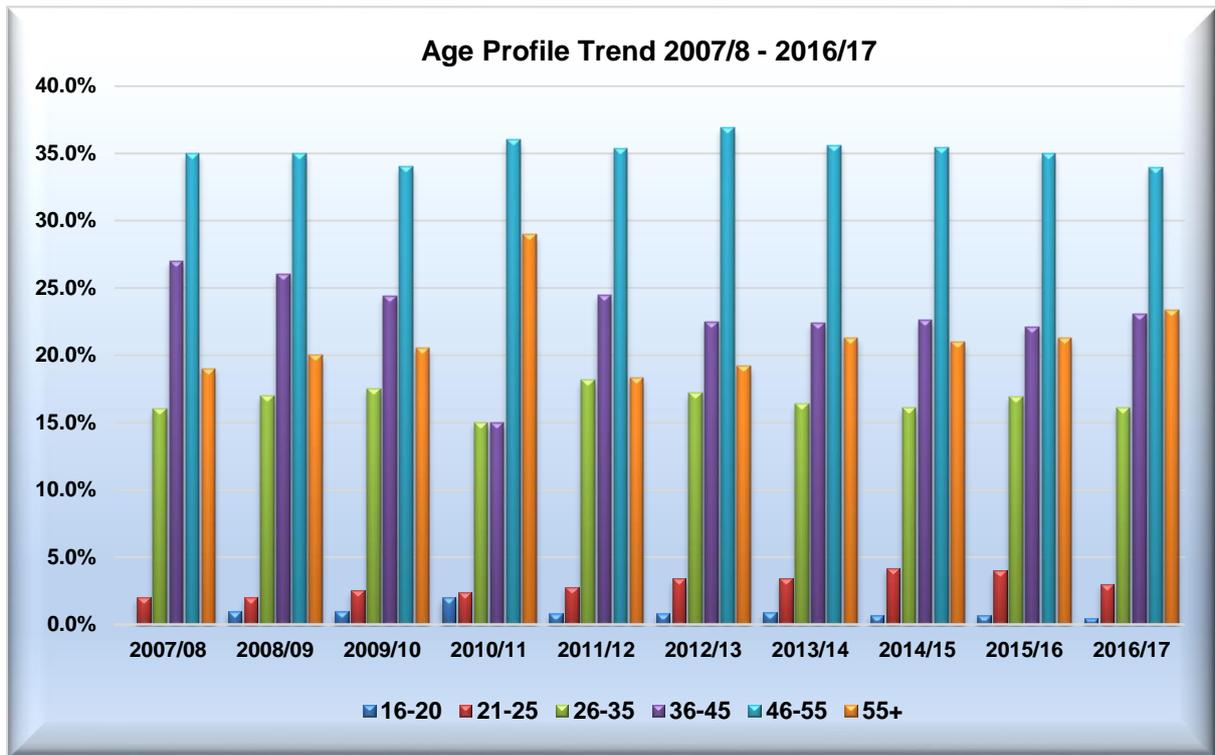
Gross – based on end of year payroll figures for 2016/17	
Total Pay Bill for all Lewisham employees	£205,255,583
Pay Bill for non-Schools employees	£72,216,046

6.6 68% of employees are aged over 40, with the percentage of the workforce aged under 25 decreasing to 3.5% during 2016/17 compared to 4.7% in 2015/16. The median figure for employees aged under 25 across London Boroughs is 3.0%². The Council continues to attract young people via schemes such as the Apprenticeship Programme, the National Graduate Development Programme and other traineeships such as Legal Trainees, Finance Trainees and Social Work Traineeships, such as “Step up to Social Work”. This will help the Council to maintain a talent pipeline including for ‘hard to fill’ roles.

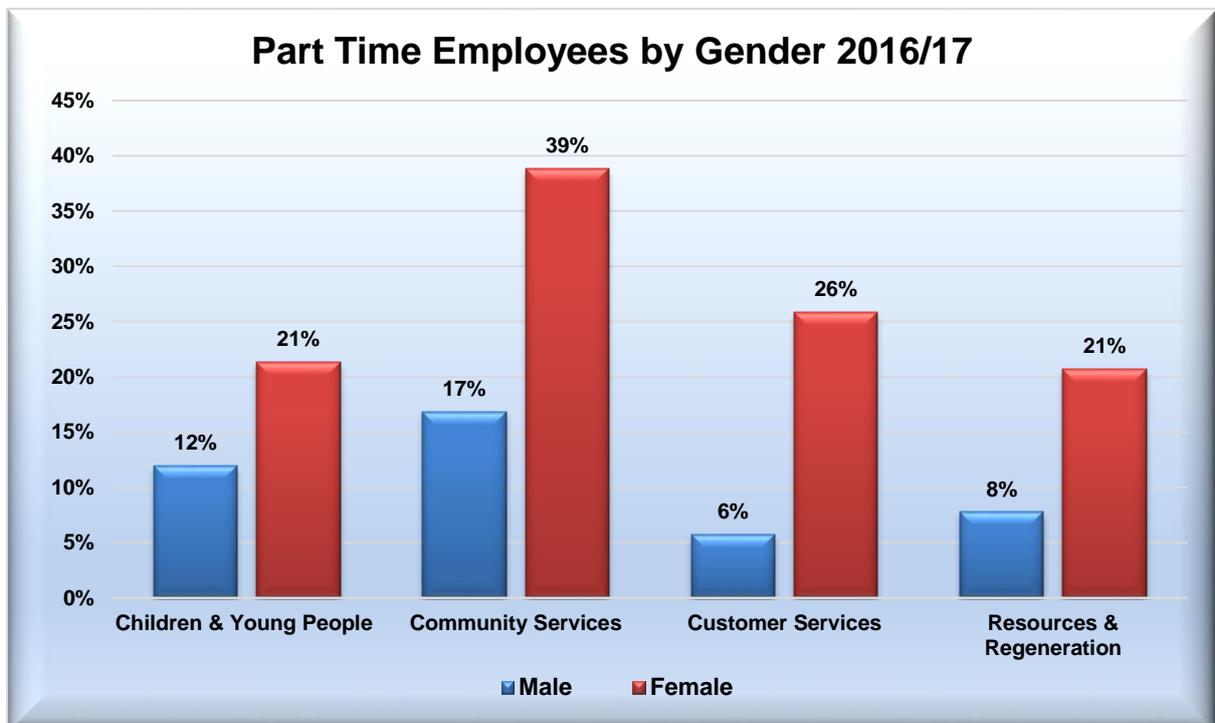


6.7 Over a 10 year period, the age band ‘46-55’ has the highest number of employees (34%) in the council followed by ‘36-45’ (23%) and ‘55+’ (23%); there has been a slight decrease in the number of employees in age band 36-45; and an increase in the number of employees in age band 55+ although there is a slight decrease of 2% when compared to last year - this can be explained by the numbers of employees in this age group who remain working for the Council for a number of years. The age bands in 2016/17 are broadly similar when compared to the 2015/16 financial year except 21-25 which has a decrease from 4% in 2015/16 to 3% in 2016/17. This means over two thirds of all employees – 68% - are aged over 40.

² Human Capita Matrix 2015/16



6.8 The Council continues to encourage the take up of flexible working. Part time employees represent 21% of the Council's workforce, a decrease of 2% from last year. Of the female workforce, 28% are part time compared to 30% last year. In addition there are significant numbers of employees undertaking other flexible working options such as term time only patterns and flexi time. The chart below demonstrates the percentage of part time workers of all employees in each Gender.



6.9 The Council monitors the workforce by all “protected characteristics”, employees are encouraged to record their protected characteristics each time they go into the HR System. Completion of this information is discretionary by employees and individuals have the option to record “prefer not to say”. This information is collected at application stage and through periodic reviews.

Marital Status: 68% of employees responded to this question. Of those who responded, 26% declared they were married or in a civil partnership

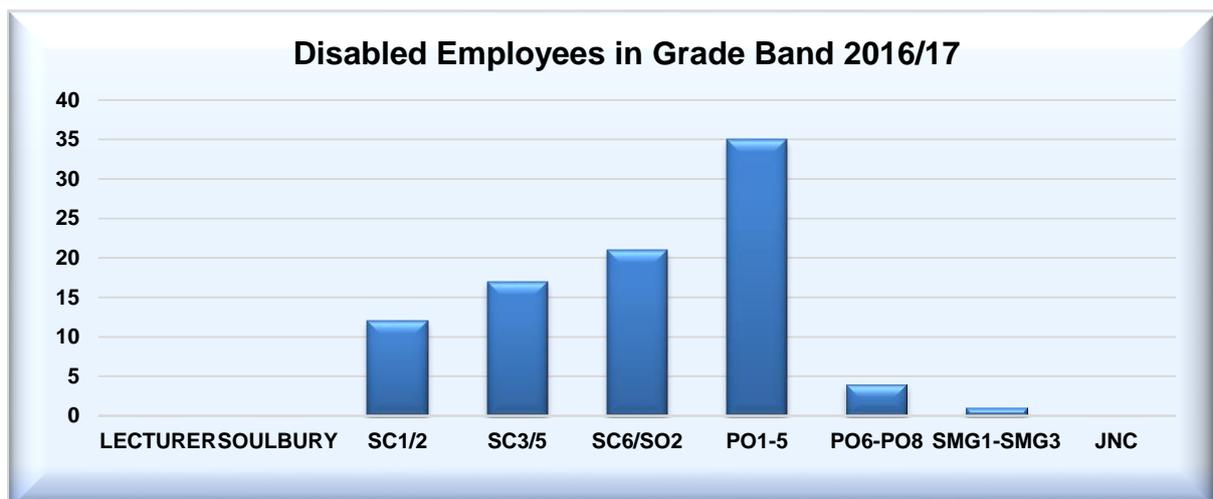
Sexual Orientation: 55% of Council employees responded to this question, an increase of 10% on the response level last year. Of those who responded 1.7% identified as Gay/Lesbian/Bisexual/Transgender.

Religion/Belief: 56% of employees responded to this question, an increase of 15% on the response level last year. Of these responses, 29% identified as being Christian.

Pregnancy and Maternity: 42 employees (3.1% of the female workforce) took maternity leave, 14 employees took paternity leave.

6.10 The Council continues to work with the Trade Unions and employee fora including the Black and Multicultural Forum, the Disabled Employees Forum, the LGBT Forum, the Apprenticeship Forum and the Young Employees Network. These employee forums provide a route through which our employees can meet with like-minded colleagues and help to inform the development of policies in a way that promotes access, choice and fairness. HR are currently working with disabled employees to help develop appropriate and relevant training materials for managers.

6.11 The chart below demonstrates percentages of disabled employees within each of the grade bands. A total of 4.1% of non-schools employees have declared that they consider themselves to have a disability, an increase of 0.4 percentage points since 2015/16. This compares to an average across all London Councils of 4.5%³



³ Human Capital Matrix 2015/16

7 Agency Workers

7.1 Agency worker numbers fluctuate throughout the year but the total number of agency workers engaged as at March 2017 was 660 (559 FTE) compared to 736 reported in March 2016 and 630 in March 2015.

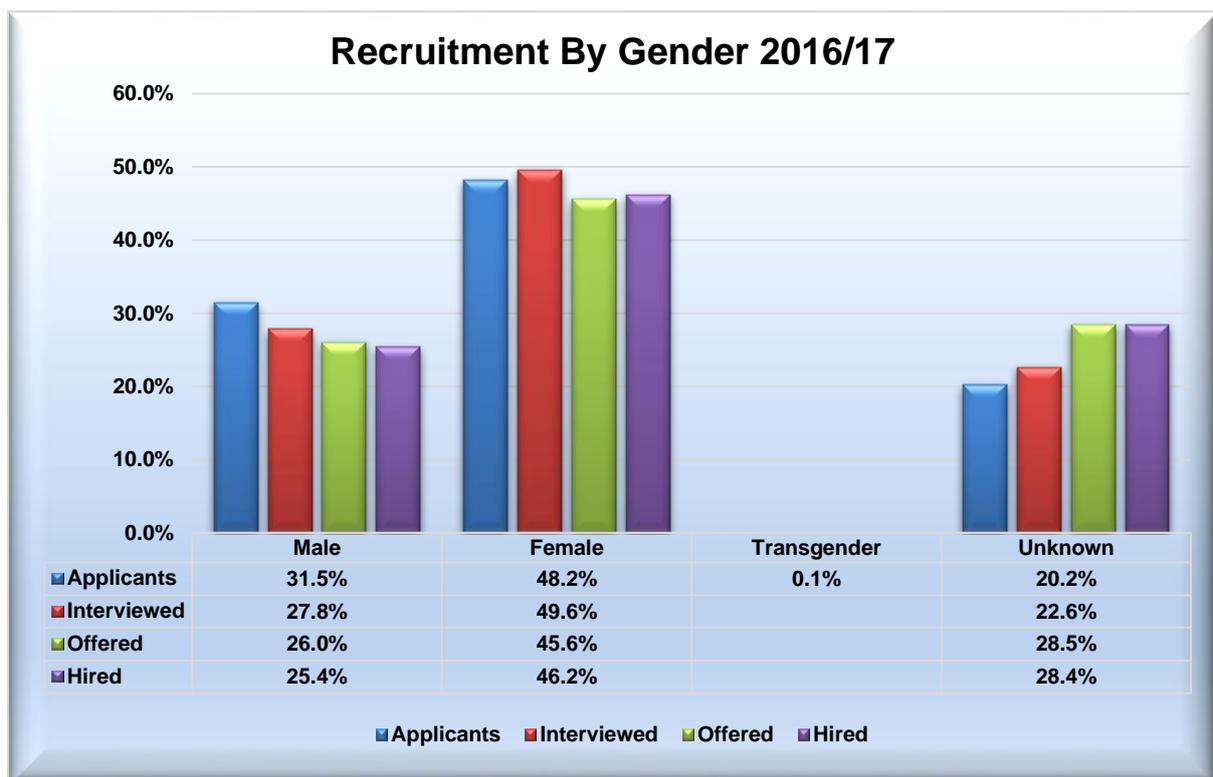
7.2 Agency workers are used for a variety of reasons, but the main reasons for agency usage over the last year has been for flexible resourcing.

7.3 53% of agency workers had a tenure of more than a year in 2016/17 which is 20% higher than the previous year.

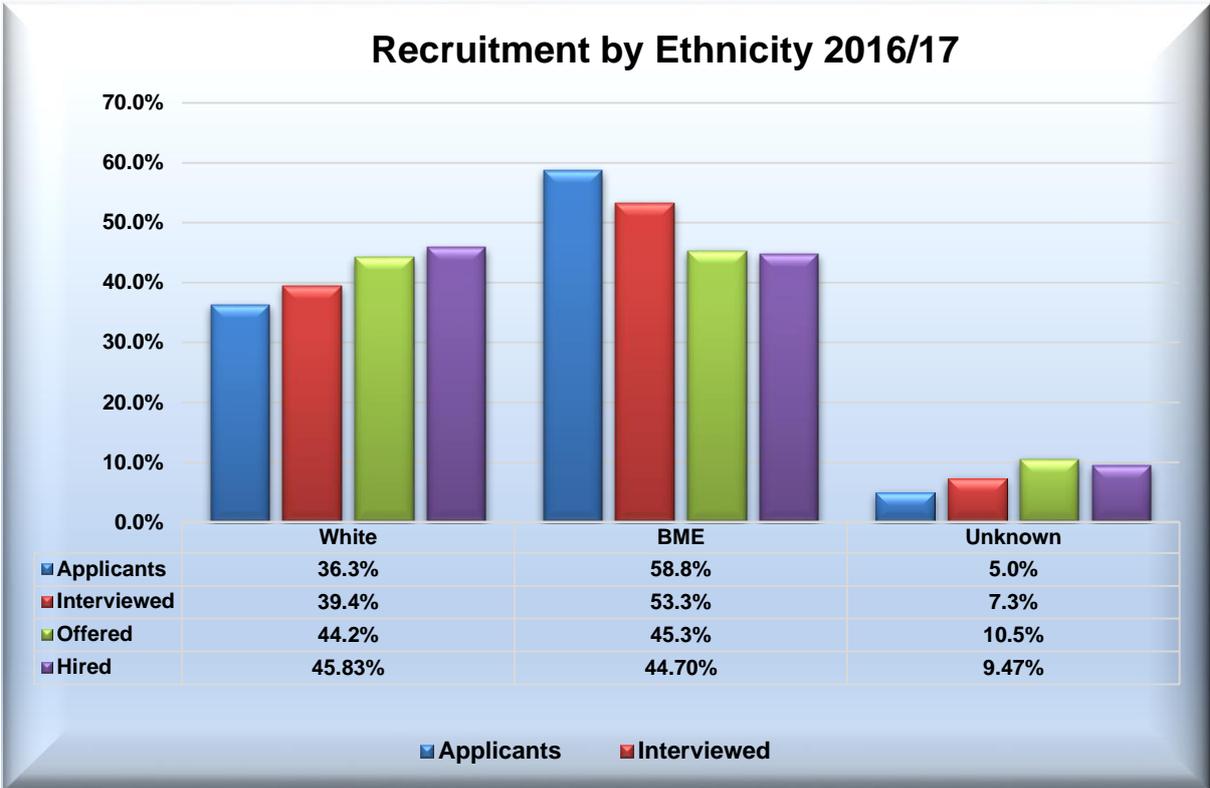
8 Recruitment

8.1 The Council recruited to 284 jobs during 2016/17. The total number of applications made was 4112 and the total number of people appointed to these jobs was 264.

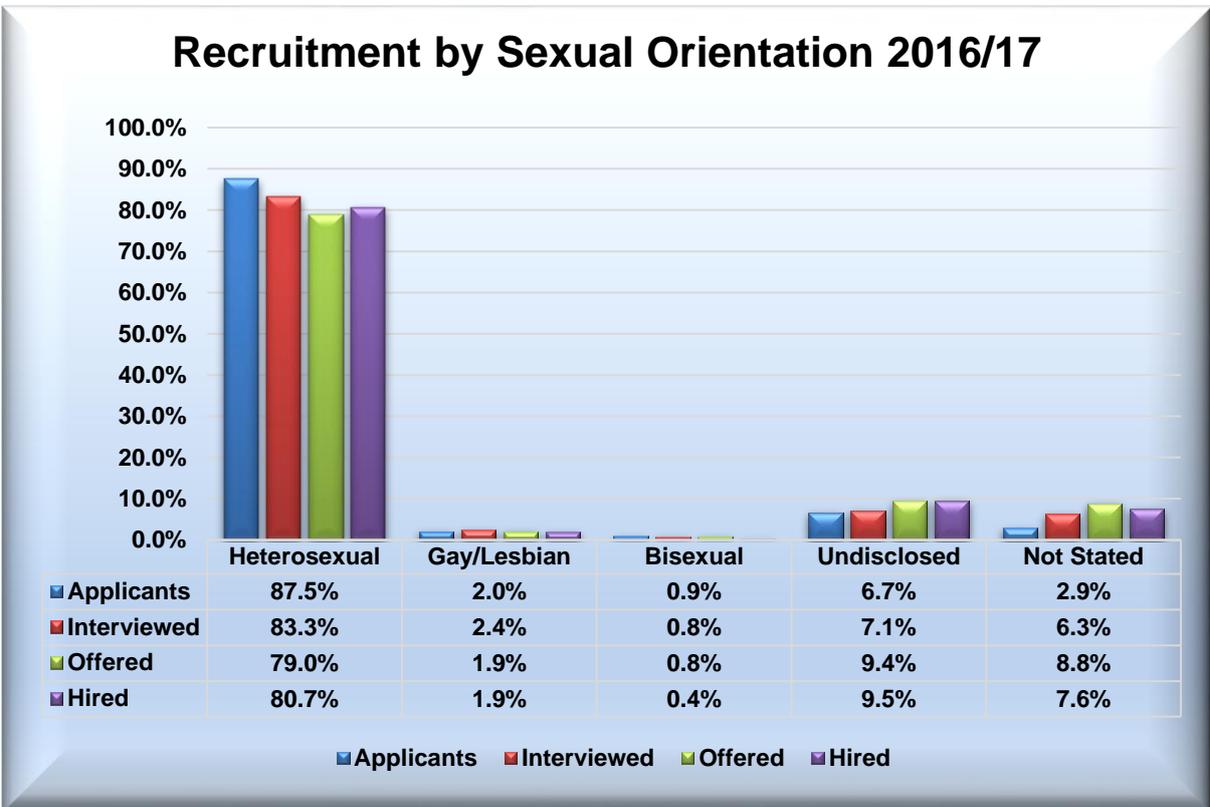
8.2 48% of applications made to the Council during 2016/17 were from female applicants which is 10% fewer than during 2015/16. Of the total appointments made during 2016/17, female appointees account for 63% of all appointments made, a consistent figure with last year.



8.3 During 2016/17, 59% of applications were made by applicants who identify as BME, which compares to 52% during 2015/16. During 2016/17 BME candidates represent 45% of the total appointments made.



8.4 3% of all job applications made during 2016/17 were from applicants who identify as Lesbian Gay Bisexual or Transgender (LGBT) which is higher than last year's figure of 2%; 2.3% of total appointments made during 2016/17 were candidates who identify as LGBT, which is consistent with last year's figure.

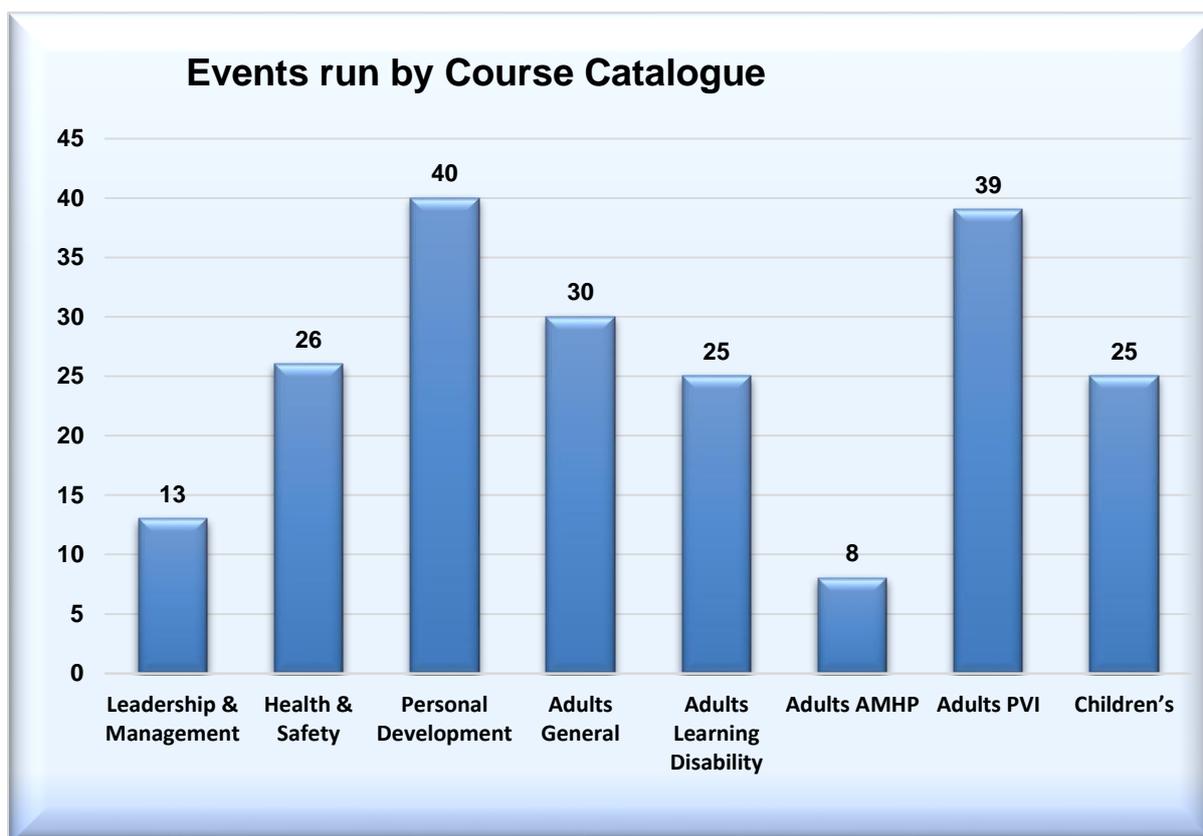


9. Learning and Development

9.1 In April 2015 the Council went into partnership with Reed Learning for delivery of face to face learning. During the period of April 2016 – March 2017, a total of 206 courses were successfully delivered via the Reed Learning Partnership. In addition a total of 65 external events were also part of the learning and development training programmes.

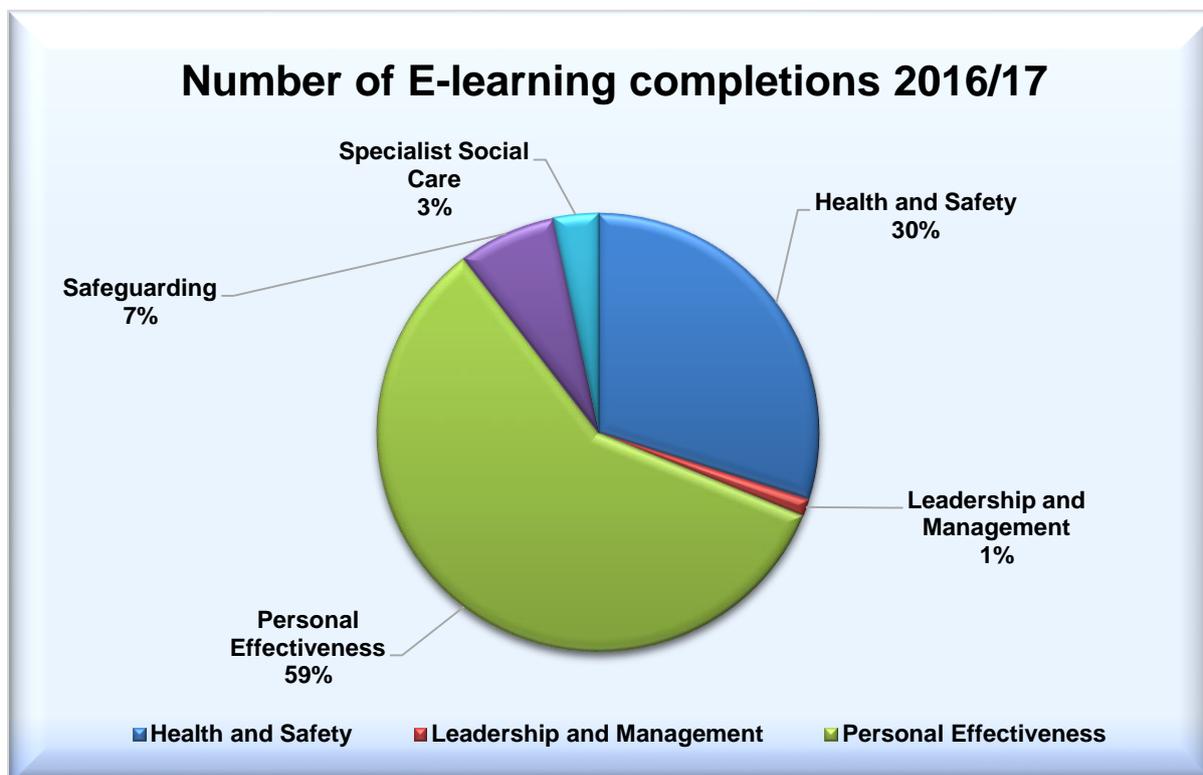
9.2 Of the Learning Partnership (LP) courses and external events that were run, 107 courses had an attendance of over 70%. A total of 3127 both internal and Private, Voluntary and Independent (PVI) delegates booked to attend both LP courses and external events and a total of 1291 delegates attended, resulting in a 42% attendance for the training year. Of the 1291 delegates that attended courses, 713 were internal council employees and 578 were from PVI organisations.

9.3 Of attendees, Community Services directorate had the highest attendance with 212 attendees followed by Customer Services with 130. CYP and Resources and Regeneration had 83 and 46 respectively. A total of 135 Children and Adults social care delegates attended the external events arranged by the L&D team.



9.4 Of the learning programmes described above, Adult courses were the most delivered with a total of 102 events.

9.5 Of the E-learning programmes listed below by course types, 154 employees completed 38 courses relating to the subject areas below. Personal Effectiveness courses were the most completed



10 Leavers

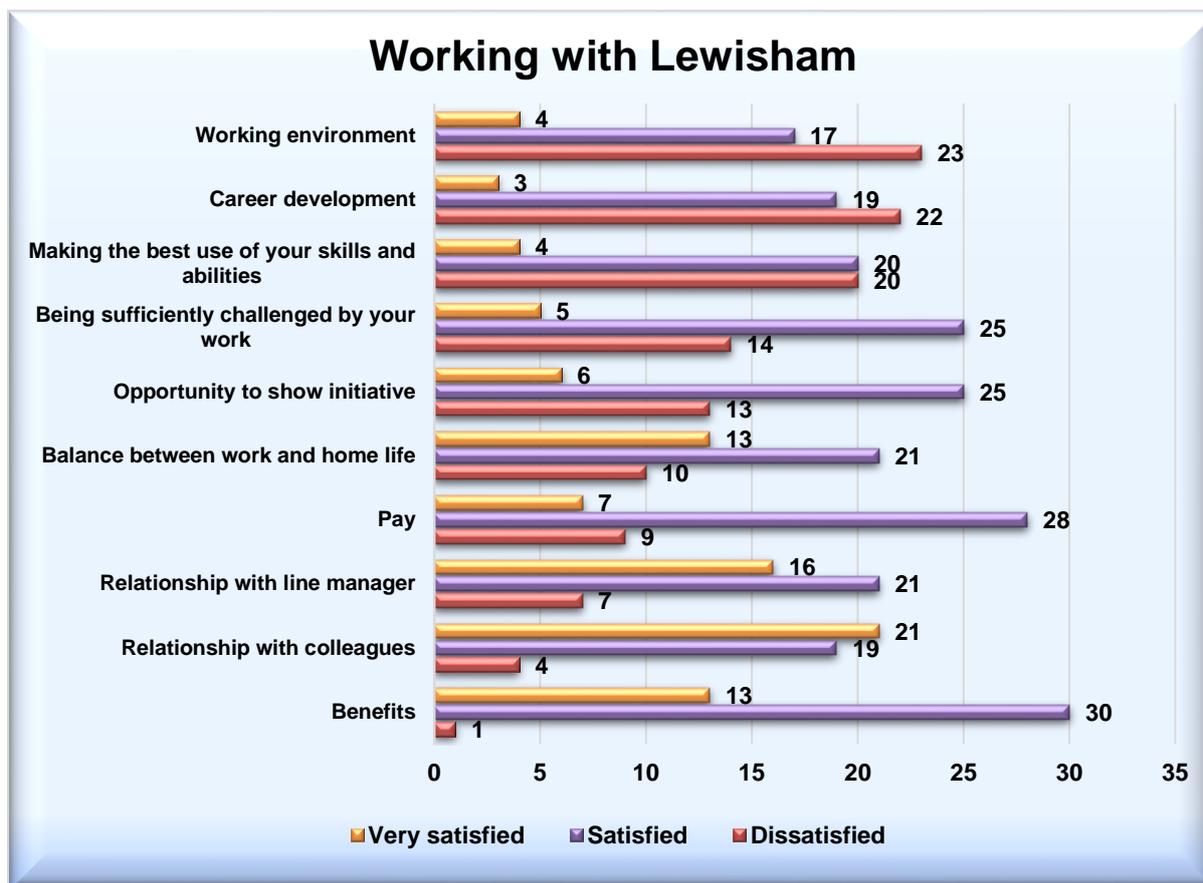
10.1 During 2016/17, 337 employees left Lewisham Council's employment of which:

- 75 left for reasons of redundancy
- 262 voluntary leavers/others left the Council

10.2 Of all 337 leavers 169 were voluntary, representing a 7.5% turnover, which is less than 10.5% turnover figure in 2015/16, but continues to be higher than the average trend for the previous years. The remainder of other leavers were through retirement, death, dismissal, end of contracts, etc. Further analysis of the increase in turnover is being undertaken

10.3 44 people completed an exit questionnaire during 2016/17 (8 more than employees who responded in 2015/16).

10.4 The chart below provides an outline of what leavers felt about working for Lewisham. They were asked to indicate to what extent they were either "satisfied" or "dissatisfied" with different aspects of working for Lewisham. 98% of respondents were satisfied/very satisfied with the benefits that Lewisham offers to employees and 79% of respondents were satisfied/very satisfied with their pay; 91% of respondents were satisfied / very satisfied with their relationship with colleagues; and 48% of respondents were satisfied/very satisfied with the working environment; 50% of respondents were dissatisfied with career development opportunities. The main reason employees gave for leaving was 'career development' and the main destination of leavers was "other local authority".



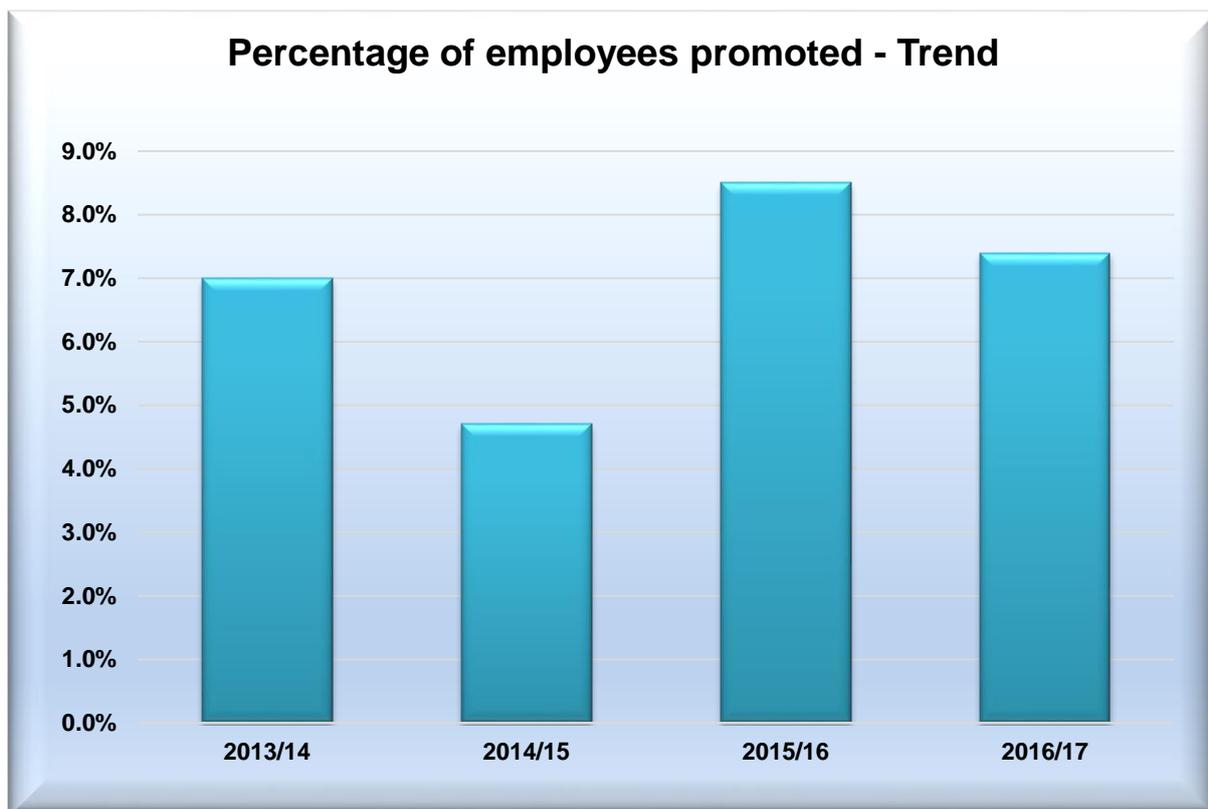
10.5 The employees who left the council as a result of budget savings continue to be offered outplacement support which includes:

- CV writing
- Job Search skills
- Interview skills
- Working for Yourself programmes
- Individual financial advice from Money Advice Service
- Advisory sessions from Jobcentre Plus
- One to one coaching sessions from Reed
- Comprehensive “employability skills” information including practice psychometric tests

11 Promotions

11.1 Promotion is defined as those employees who have had their post re-graded or achieved promotion through appointment to a more senior position and it also includes employees appointed to higher grades as a result of restructures.

11.2 The percentage of promoted employees during 2016/17 is 7.4%. A trend of promotions since 2013/14 can be seen below.



12 Jobs and the local government market

12.1 The Council continues to run a range of employment initiatives to ensure it remains an active employer in the local community.

12.2 The National Graduate Development Programme offers one of two placement to a trainee with a local connection. Interviews took place on 19th June 2017 for the next intake of National Management Trainees, and the Council continues to aim to offer this training to local candidates.

12.3 In December 2014, recommendations from a review of the Work and Skills Strategy agreed that the Apprenticeship programme should be extended to cover residents aged from 16 to 64 years to better reflect the needs of residents. During the financial year 2016/17, 33 apprentices were recruited to the programme, of which 8 were appointments to council apprenticeship posts, and 25 were with partnership organisations. Outcomes for Apprentices since the launch of the scheme in 2009 and 31 March 2017, identified that 77% of apprentices have progressed onto employment, or further training.

12.4 The Government announced in the autumn 2015 budget statement that it was committed to creating three million new apprenticeships in this Parliament from 2015-2020, with two primary measures to achieve this ambition.⁴ The two measures are the Apprenticeship Levy which is a charge of 0.5% of an organisation's pay bill (for those organisations whose pay bill is more than 3 million pounds) to create a fund to be used for training. The other measure is that public sector organisations have a target of 2.3% of their workforce being apprentices. The Council is developing a strategy to make sure the most effective use of the Levy is achieved, including new roles and development of its existing employees.

12.5 The Council continues to run other service specific trainee schemes including Legal who take on 3 trainees on a 2 year training programme; Finance who take on 2 CIPFA trainees on a 4 year trainee programme and the Council also participates in the "Step up to Social Work" training programme, now in its 5th Cohort. All 4 students in the 4th cohort were appointed to permanent roles during 2016/17.

13 Social Workers

13.1 In line with other London Boroughs, the Council faces challenges in being able to recruit and retain more experienced social workers. However, in an effort to address this issue, the Council has been successful in being able to attract Newly Qualified Social Workers (NQSW), particularly since the creation of the South East London Teaching Partnership in September 2015. Working with Goldsmiths University, the Royal Borough of Greenwich and the London Borough of Southwark, the partnership has created a centre of excellence where social work practitioners and academics can share their experiences and openly debate best practice. This partnership, in conjunction with the excellent training offer, has led to the Council being able to attract NQSW's via this avenue, and also via the 'Step up to Social Work' programme, a fast track programme for graduates interested in becoming Social Workers. The Council has progressed over 80 NQSW's through the Assisted Year in Employment (ASYE) since 2013. Of these 80, 64 remain with the Council.

13.2 Pay and benefits continue to be monitored to make sure Lewisham is consistent with other London Boroughs and work is also being undertaken to improve both the corporate and Social Care recruitment offer. Agency workers who previously supplied their services via their own limited company have also been encouraged to take on permanent roles as a result of the tax changes brought about by the introduction of IR35⁵

13.3 Initiated by Chief Executives in London; 32 London Borough Heads of HR, together with Directors of Children's Social Care, signed a Memorandum of Co-operation in April 2015 to seek to address the migration to agencies by establishing a joint response to containing agency pay rates. This joint approach provides some control over escalating agency pay rates and the Council will continue to monitor this by benchmarking with data collated by London Councils.

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484209/BIS-15-651-english-apprenticeships-our-2020-vision-executive-summary.pdf

⁵ <https://www.gov.uk/guidance/ir35-find-out-if-it-applies>

13.4 An annual analysis report of recruitment and retention activity is undertaken each year which helps inform any specific areas or issues that need to be monitored or addressed.

13.5 There are a range of very positive reasons why social workers would want to work for Lewisham, including:

- Supportive management/supervision
- Small teams
- Low/managed caseloads
- Excellent post qualifying/CPD opportunities including Twilight workshops on latest research based practice as part of Education Partnership with Goldsmiths
- Innovative approaches such as Theraplay, ADAM, Secure Base
- Excellent ASYE programme
- Career pathway
- Administrative support
- Childcare vouchers

13.6 A range of options and strategies are kept under review and the Children Social Care Service has embarked on a Workforce Development plan which includes:

- Promoting the curriculum through Teaching Consultants and providing positive student placements to encourage Goldsmith's students to apply for NQSW roles in Lewisham
- Guaranteeing Step Up Students a prioritised interview at the end of their placement
- Marketing the benefits of working for Lewisham to existing agency workers to encourage them to apply for permanent posts.
- Review of induction materials and creation of on-line induction processes and documents
- Establishing a CSC internal communications group to work with HR to develop L&D communication plan

Appendix 1



EMPLOYMENT PROFILE 2016-2017

CONTENTS		Page No.	
Total Employees	By Directorate	3	
	By Pay	4	
	By Reorganisations	5	
	By Occupation Group	7	
	By Grade Band	8	
	By Grade Band - Social Workers	9	
	By Agency Spend - Social Workers	10	
	By Pay Rate - Social Workers	11	
	Part Time Employees	12	
	By Work and Home Location	13	
	Representation	Overview	14
		By Ethnic Origin	15
		By Gender	17
		By Disability	18
By Other Protected Characteristics		19	
By Age		20	
By Length of Service		22	
Applied Shortlisted and Appointed by Gender and Ethnicity		23	
Applied Shortlisted and Appointed by Sexual Orientation	24		
Impact of HR Processes	Overview	25	
	Overtime and Extra Payments	26	
	Sickness	27	
	Occupational Health Referrals	28	
	Promotions	29	
	Agency Profile	30	
	Agency Staff Expenditure and Top Ten job roles	31	
	Learning & Development	32	
Leavers	Overview	33	
	Voluntary Turnover	34	
	Exit Survey	36	

If you have any queries on the content or any suggestions please email
Kamharida.Anyanwu@lewisham.gov.uk

Total Employees By Directorate 2016/17

The Council's total workforce includes **7016** people as at 31/03/2017.

The tables below breaks this down and makes comparisons with the previous financial year.

Total Employees Headcount By Directorate 2016/17					
Directorate	Lewisham Headcount	Casuals	Claims	Agency Headcount	Total Headcount
Community Services Directorate	644	27	15	165	851
Customer Services Directorate	824	4	5	286	1119
Children & Young People Directorate	367	16	27	122	532
Resources & Regeneration Directorate	374	6	1	87	468
Excluding Schools	2209	53	48	660	2970
Schools	4807			*	4807
Total Including Schools :	7016	53	48	660	7777

Total Employees Headcount By Directorate 2015/16					
Directorate	Lewisham Headcount	Casuals	Claims	Agency Headcount	Total Headcount
Community Services Directorate	694	30	30	159	913
Customer Services Directorate	843	1	4	326	1174
Children & Young People Directorate	411	43	36	109	599
Resources & Regeneration Directorate	352	6	0	86	444
Excluding Schools	2300	80	70	680	3130
Schools	4872			*	4872
Total Including Schools :	7172	80	70	680	8002

The agency headcount and FTE listed only include agency staff who are employed via the Council's agency managed service (reed). Lewisham Council does not record FTE for Casuals and Claims based employees as they do not have regular hours.

* No data is held on the numbers of agency workers as schools are not required to commission supply cover through the Council's agency managed service. There is an existing contract with the 'Lewisham Supply Service' for the supply of agency teachers and teaching assistants that exists for the benefit of schools. Also, many schools use a variety of other agencies by choice.

Total Employees FTE By Directorate 2016/17			
Directorate	Lewisham FTE	Agency FTE	Total FTE
Community Services Directorate	518	115	633
Customer Services Directorate	788	258	1046
Children & Young People Directorate	338	106	444
Resources & Regeneration Directorate	345	80	425
Total Excluding Schools	1990	559	2549
Schools	3801		
Total Including Schools :	5791		

Total Employees FTE By Directorate 2015/16			
Directorate	Lewisham FTE	Agency FTE	Total FTE
Community Services Directorate	538	117	655
Customer Services Directorate	807	273	1080
Children & Young People Directorate	365	86	451
Resources & Regeneration Directorate	328	70	398
Total Excluding Schools	2038	546	2584
Schools	3856		
Total Including Schools :	5894		

Total No of employees at April 2016	2300
No. of employees leaving on redundancy terms	-75
Voluntary Severance	0
Voluntary /Other leavers	-262
Less Total Leavers 16/17	1963
Add New Starters 16/17	246
Total No of employees at March 2017	2209

Table above shows the movement from the beginning of the year to the end of year.

PAY FOR NON-SCHOOLS EMPLOYEES 2016/17

Employers with more than 250 employees are now required by the Government to publish information on the gender pay gap in their organisation. The table below outlines the Council's gender pay gap outlining both the mean and median salaries for both genders. Female employees are, on average, paid more than male employees at Lewisham Council and the percentage pay gap difference is -6.94% (mean) and -11.06% (median).

Gender Pay Gap		
	Mean Salary	Median Salary
Male	£32,452.38	£29,612.96
Female	£34,873.40	£33,294.00
Pay Gap	-6.94%	-11.06%

Full Time		
	Average Hourly rate	Average Hourly rate
Male	£17.78	£15.96
Female	£19.82	£19.03

Part Time		
	Average Hourly rate	Average Hourly rate
Male	£21.17	£18.24
Female	£20.24	£20.03

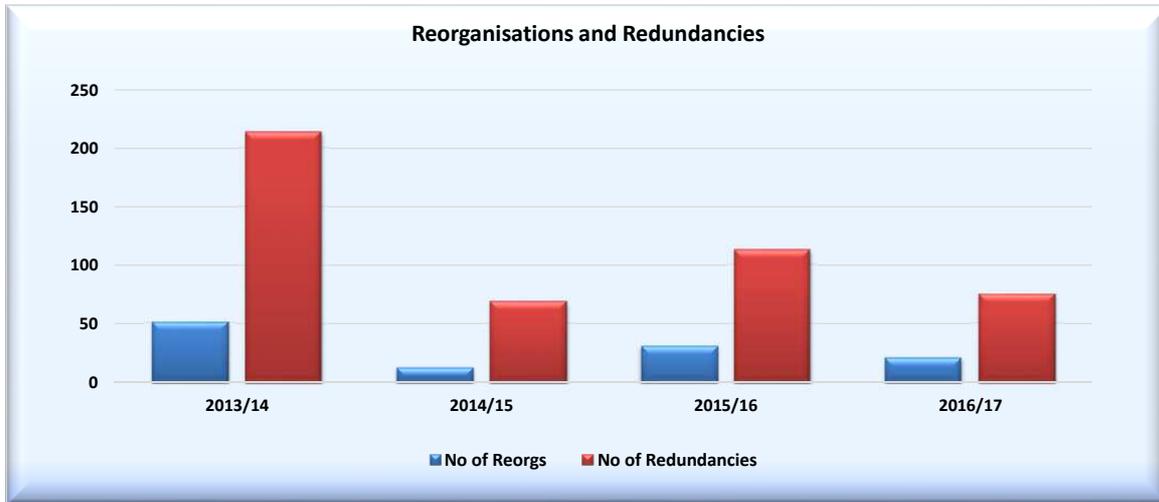
Quartile			
	Salary	No. of Men	No. of Women
1st Quartile	£25,875	344	227
2nd Quartile	£32,478	175	363
3rd Quartile	£38,532	152	413
4th Quartile	£142,536	202	333

The average salary for a non-Schools employee is £33,916.

Gross – based on end of year payroll figures for 2016/17	
Total Payroll Bill for all Lewisham employed staff	£205,255,583
Lewisham Council Payroll for non- Schools	£72,216,046

Reorganisations 2016/17

The Council continues to assess the impact of redundancies using all the protected characteristics. There were 21 reorganisations in the last financial year which resulted in 75 staff being made redundant. The chart below outlines the number of reorganisations and redundancies over the last 4 years



In 2016/17 the largest proportion of redundancies occurred in the Community Services Directorate where a total of 51 staff were displaced.

Reorganisations Breakdown

The table below outlines the numbers of redundancies by Directorate following the 21 reorganisations during 2016/17.

Directorate	Total redundancies	% Total Staff Redundant	Total number of Reorganisations/ redundancies
Community Services Directorate	51	68.00%	2
Customer Services Directorate	19	25.33%	11
Children & Young People Directorate	2	2.67%	5
Resources & Regeneration Directorate	3	4.00%	3
Total	75	100.00%	21

Breakdown of Redundancies by Gender

Gender	Total Redundancies	% Total Staff Redundant
Male	21	28.00%
Female	54	72.00%
Total	75	100.00%

The percentage of women made redundant in 2016/17 is relatively proportionate to the work force profile and gives no cause for concern.

Breakdown of Redundancies by Disability

Disability	Total redundancies	% Total Staff Redundant
Yes	6	8.00%
No	68	90.67%
Not Declared	1	1.33%
Total	75	100.00%

The table below shows that there was a higher percentage of redundancies in the age band '45 - 54' and ' 55+' which is not unexpected given the numbers of employees in these age bands.

Breakdown of Redundancies by Age		
Age	Total Redundancies	% of Total staff redundant
16-20	0	0.00%
21-24	0	0.00%
25-34	8	10.67%
35-44	10	13.33%
45-54	22	29.33%
55+	35	46.67%
Total	75	100.00%

Breakdown of Redundancies by Ethnicity		
Ethnic Origin	Total Redundancies	% Total Staff Redundant
BME	32	42.67%
White	41	54.67%
Not disclosed	2	2.67%
Total	75	100.00%

The table above provides a breakdown of redundancies by ethnicity. It shows a slightly higher percentage of redundancies amongst BME employees, when compared to percentage of BME staff employed in the Council which is 39.2%. The Council continues to monitor the impact of reorganisations on BME staff and will take appropriate action should this pattern continue.

Reorganisations 2016/17 (continued)

Breakdown of Redundancies by Ethnicity and Gender				
Ethnic Origin	Male	% of staff made redundant	Female	% of staff made redundant
BME	8	25.0%	24	75.0%
White	13	31.7%	28	68.3%
Not disclosed	0	0.0%	2	100.0%
Total	21	38.1%	54	62.0%

The table above gives further breakdown of redundancies by both gender and ethnicity which shows all employees made redundant. The percentages above generally reflect the ethnicity and gender percentages of the workforce

Breakdown of Redundancies by Grade		
Grade	Total Redundancies	% of Total staff redundant
SC1-2	24	32.0%
SC3-5	12	16.0%
SC6-SO2	18	24.0%
PO1-PO5	17	22.7%
PO6-PO8	1	1.3%
SMG1-SMG3	3	4.0%
Soulbury	0	0.0%
Total	75	100.0%

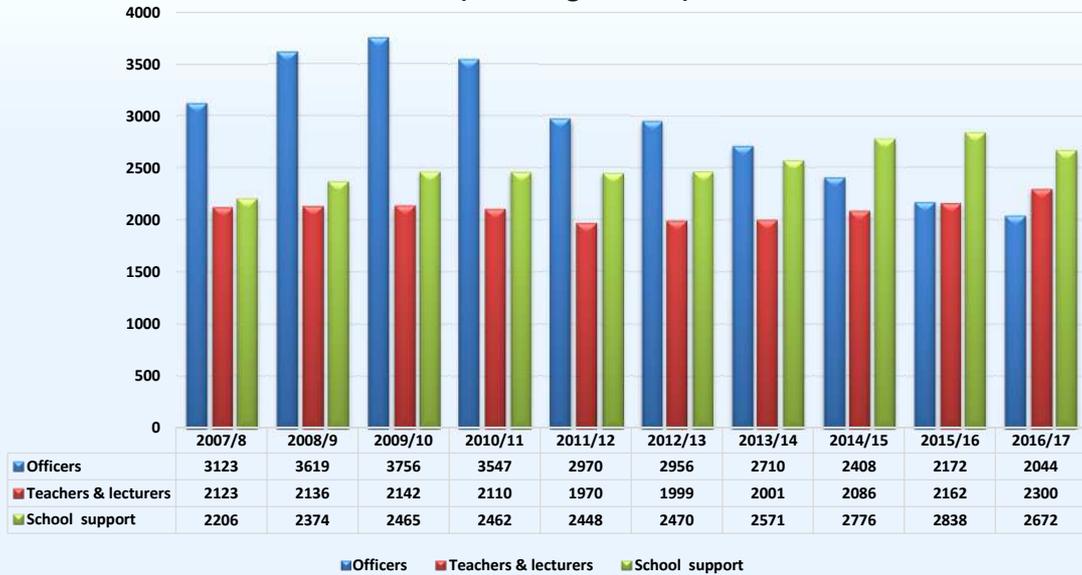
Breakdown of Redundancies by Grade and Gender				
Grade	Male	% of staff made redundant	Female	% of staff made redundant
SC1-2	5	20.8%	19	79.2%
SC3-5	5	41.7%	7	58.3%
SC6-SO2	4	22.2%	14	77.8%
PO1-PO5	5	29.4%	12	70.6%
PO6-PO8	1	100.0%	0	0.0%
SMG1-SMG3	1	33.3%	2	66.7%
Soulbury	0	0.0%	0	0.0%
Total	21	28.0%	54	72.0%

Breakdown by Grade and Ethnicity						
Grade	BME	% of staff made redundant	White	% of staff made redundant	Not disclosed	% of staff made redundant
SC1 - 2	16	21.3%	8	10.7%	0	0.0%
SC3 - 5	3	4.0%	8	10.7%	1	1.3%
SC6 - SO2	9	12.0%	8	10.7%	1	1.3%
PO1 - PO5	4	5.3%	13	17.3%	0	0.0%
PO6 - PO8	0	0.0%	1	1.3%	0	0.0%
SMG1 - SMG3	0	0.0%	3	4.0%	0	0.0%
Soulbury	0	0.0%	0	0.0%	0	0.0%
Total	32	42.7%	41	54.7%	2	2.7%

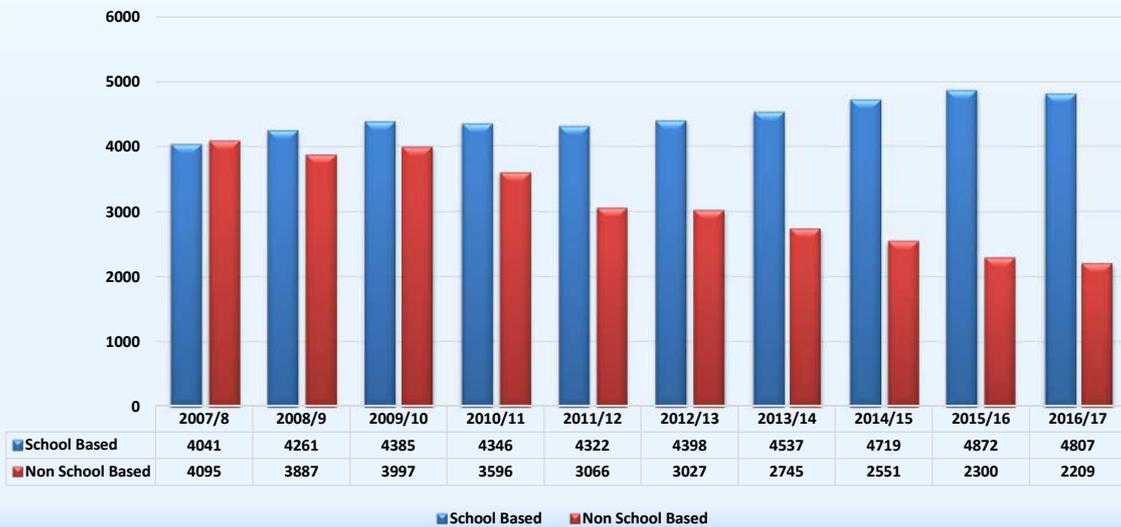
TOTAL EMPLOYEES BY OCCUPATIONAL GROUP
(including Schools)

The trend chart below demonstrates that since 2009/10 the number of officer staff has decreased, the number of teachers has remained broadly similar and the number of school support staff has increased except 2016/17 where there has been a decrease from previous year. The Council has not had "manual" or "craft" employees since 2008/09.

TOTAL EMPLOYEES BY OCCUPATIONAL GROUP 2007 - 2017
(including Schools)



Total Employees Trend 2007 to 2017 (incl schools)

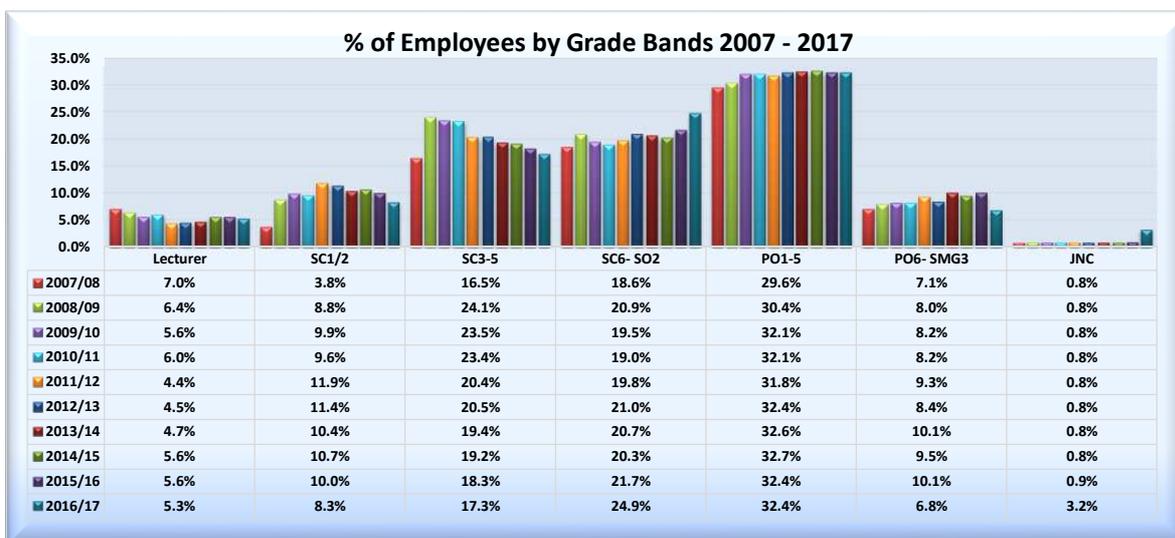


The above graph shows the total employee trend (both non-schools and schools employees) across the Council since 2007. The trend outlines that non-schools employees have dropped significantly whereas schools employees have increased.

TOTAL EMPLOYEES BY GRADE BAND AND BY DIRECTORATE 2016/17

BY HEADCOUNT	Lecturer	Soulbury	SC1/2	SC3-5	SC6- SO2	PO1-5	PO6-PO8	SMG1-SMG3	JNC	TOTAL
Children & Young People	12	19	3	13	72	186	47	11	4	367
Community Services	104	0	4	109	135	232	38	17	5	644
Customer Services	0	0	147	217	274	144	22	15	5	824
Resources & Regeneration	0	0	29	43	69	154	44	28	7	374
16/17 Total	116	19	183	382	550	716	151	71	21	2209
15/16 Total	128	22	231	421	499	745	155	78	21	2300

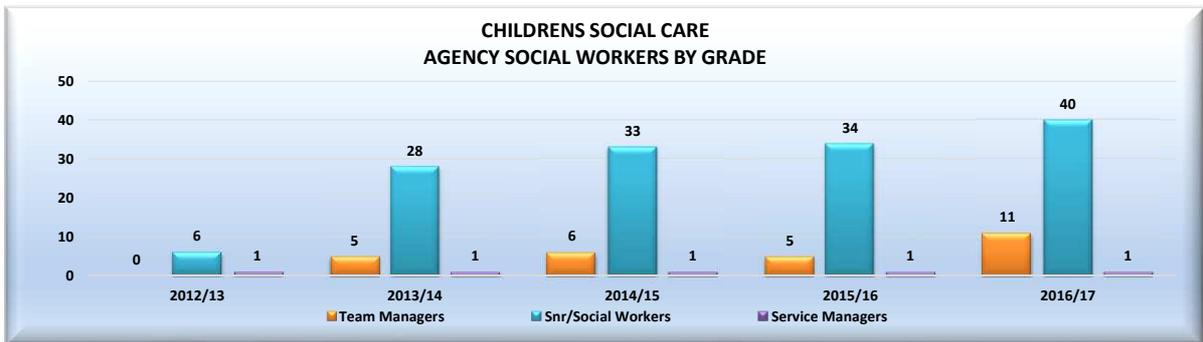
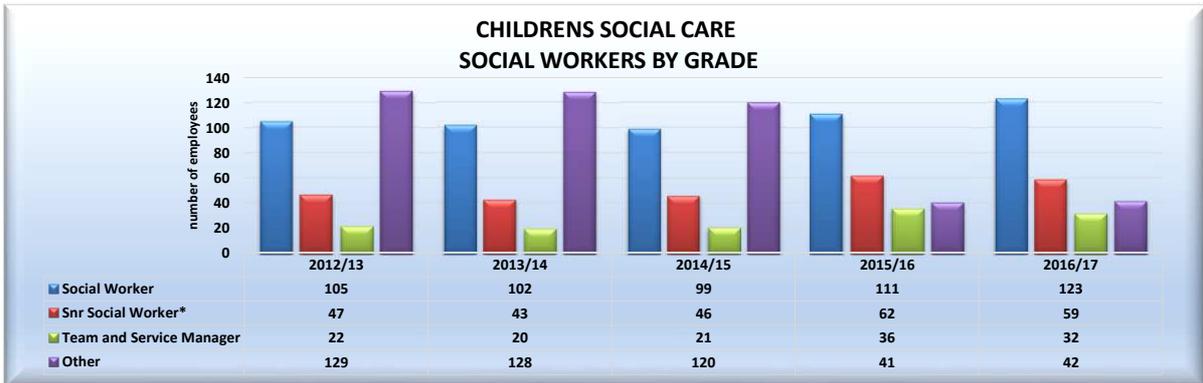
BY PERCENTAGE	Lecturer	Soulbury	SC1/2	SC3-5	SC6- SO2	PO1-5	PO6-PO8	SMG1-SMG3	JNC	TOTAL
Children & Young People	3.3%	5.2%	0.8%	3.5%	19.6%	50.7%	12.8%	3.0%	1.1%	100%
Community Services	16.1%	0.0%	0.6%	16.9%	21.0%	36.0%	5.9%	2.6%	0.8%	100%
Customer Services	0.0%	0.0%	17.8%	26.3%	33.3%	17.5%	2.7%	1.8%	0.6%	100%
Resources & Regeneration	0.0%	0.0%	7.8%	11.5%	18.4%	41.2%	11.8%	7.5%	1.9%	100%
16/17 Total	5.3%	0.9%	8.3%	17.3%	24.9%	32.4%	6.8%	3.2%	1.0%	100%
15/16 Total	5.6%	1.0%	10.0%	18.3%	21.7%	32.4%	6.7%	3.4%	0.9%	100%



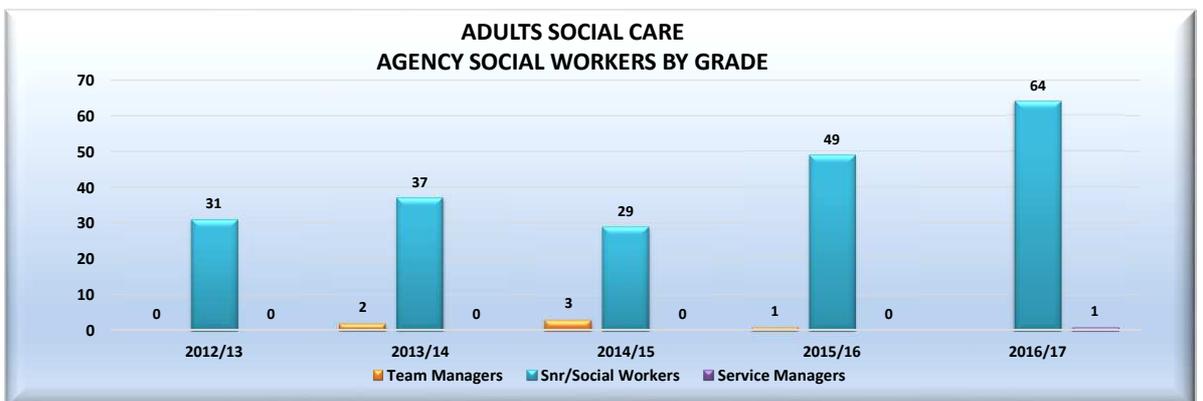
Grades	Employees 16/17	Employees 15/16
Lecturers	116	128
Soulbury	19	22
SC1A	0	11
SC1B	15	1
SC1C	0	11
SC2	168	208
SC3	103	85
SC4	117	111
SC5	162	225
SC6	185	163
SO1	252	270
SO2	113	67
PO1	84	139
PO2	305	209
PO3	128	168
PO4	127	174
PO5	72	54
PO6	68	62
PO7	55	47
PO8	28	46
SMG1	20	24
SMG2	23	22
SMG3	28	32
DIR1	4	4
DIR2	2	2
DIR3	15	15
Total	2209	2300

Over the past 10 years, the numbers of staff in grade band Sc1/2 has increased from 4% in 2006/7 to 10% in 2015/15, partly due to the success of the Apprenticeship Scheme. Percentages of staff in other grade bands have increased slightly year on year which could be explained by employees being promoted.

Numbers of Permanent and Agency Social Workers 2016/17



* includes IRO, Advanced Practitioner, Child Protection Co-ordinator and other senior qualified social work roles previously included in the "other" grade. The "other" grade now includes just non-social work qualified staff



TOTAL AMOUNT SPENT BY THE COUNCIL ON AGENCY SOCIAL WORKERS

We do not use agencies to recruit permanent Social Work staff, However for agency staff we have a managed service contract with Reed Talent Solutions. They supply agency workers via a network of 3rd party suppliers. For a list of these providers contact Reed Talent Solutions.

2016 - 2017

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Children Social Worker	£246,597	£231,686	£329,890	£279,232	£278,602	£291,763
Adult Social Worker	£212,801	£228,371	£260,688	£222,120	£225,070	£250,083
	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Children Social Worker	£284,833	£268,054	£457,333	£308,694	£406,810	£527,576
Adult Social Worker	£218,022	£208,290	£266,138	£212,814	£253,582	£327,120

2015 - 2016

	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Children Social Worker	£182,576	£238,026	£307,287	£263,594	£250,718	£321,127
Adult Social Worker	£289,641	£323,277	£422,888	£334,608	£344,996	£409,406
	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
Children Social Worker	£182,576	£238,026	£307,287	£263,594	£250,718	£321,127
Adult Social Worker	£357,454	£363,477	£462,985	£359,985	£342,525	£420,015

2014 - 2015

	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
Children Social Worker	£107,724	£112,404	£136,096	£112,333	£136,603	£172,031
Adult Social Worker	£113,560	£118,787	£155,319	£116,622	£115,066	£149,202
	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
Children Social Worker	£149,982	£132,007	£149,091	£100,533	£115,386	£144,024
Adult Social Worker	£155,319	£124,173	£136,737	£94,523	£107,594	£142,464

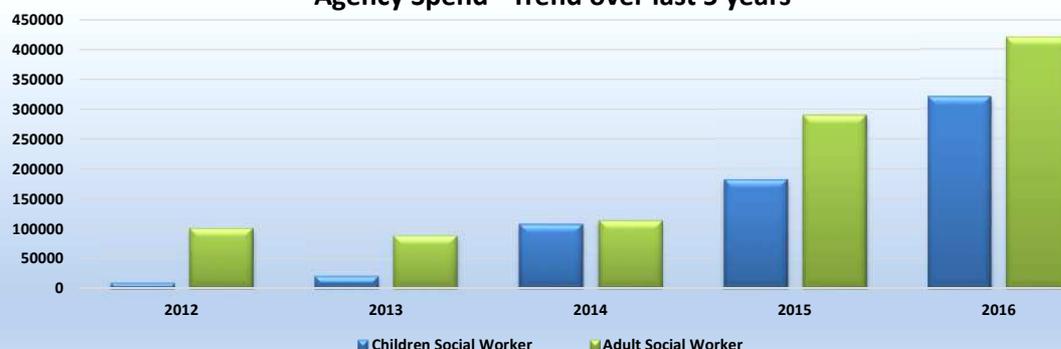
2013 - 2014

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
Children Social Worker	£20,911	£34,472	£46,192	£40,305	£40,812	£58,380
Adult Social Worker	£88,190	£90,922	£107,309	£84,500	£86,709	£100,531
	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Children Social Worker	£59,449	£78,436	£127,473	£77,333	£114,142	£139,605
Adult Social Worker	£80,526	£89,374	£115,443	£93,484	£107,243	£146,629

2012 - 2013

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
Children Social Worker	£9,344	£12,493	£20,196	£19,716	£26,511	£35,331
Adult Social Worker	£100,282	£105,168	£134,946	£112,802	£107,203	£122,800
	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
Children Social Worker	£31,636	£28,153	£28,997	£14,079	£19,925	£26,862
Adult Social Worker	£94,915	£94,393	£102,003	£62,920	£74,210	£109,433

Agency Spend - Trend over last 5 years



Pay rates Adults Social Care as at 31.3.2017				
Adults Social Care	Grade	Spinal points	Salary	Additional Payments
Newly Qualified Social Workers	NQSW	34	£33,627	
Social Worker	SW	36 to 38	£35,070 to £36,912	
Senior Social Worker	SSW	40 to 42	£38,919 to £40,785	
Operations Manager	PO6	47 to 49	£45,438 to £47,292	
Lead Operations Manager	PO8	53 to 55	£51,069 to £53,088	

Pay rates Childrens Social Care as at 31.3.2017				
Childrens Social Care	Grade	Spinal points	Salary	Additional Payments
Newly Qualified Social Workers	NQSW	34	£33,627	
Social Worker	SW	36 to 38	£35,070 to £36,912	£500 pa parking
Senior Social Worker	SSW	40 to 42	£38,919 to £40,785	
Independent Reviewing Officer	IRO	46 to 47	£44,496 to £45,438	
Advanced Practitioner	AP	46 to 47	£44,496 to £45,438	
Team Manager	TM	53 to 55	£51,069 to £53,088	

Social Work Services and Teams

Children & Young People, Children's Social Care, Laurence House , Catford SE6 4RU - services outlined below
Director of Children's Social Care
Family Social Work Service
Looked After Children, Leaving Care & Adoption
Business Strategy, Fostering, Placement & Procurement
Referral & Assessment
Early Intervention
Quality Assurance

Joint Health and Social Care Prevention, Laurence House, Catford, SE6 4RU - services outlined below
Safeguarding Board (includes Head of Assessment and Care Management Enablement)
Integrated Neighbourhoods
Quality & Safeguarding
IMCA and DOLS
Adults with Learning Disabilities
Mental Health Lewisham - Slam

[Structure charts can be found here](#)

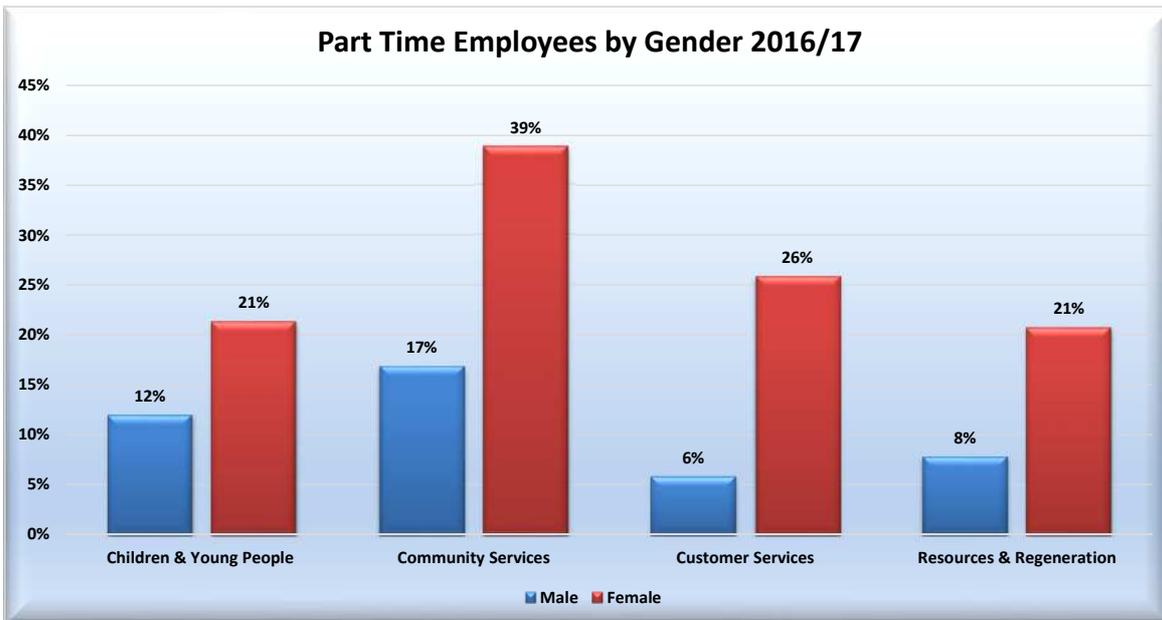
PART-TIME EMPLOYEES 2016/17

The Council continues to encourage the take up of flexible working. Part time staff represent 21% of the Council's workforce, 2% decrease from last year. Of the female workforce, 28% are part time, compared to 30% last year. In addition there are significant numbers of staff undertaking other flexible working options such as term time only patterns and flexi time.

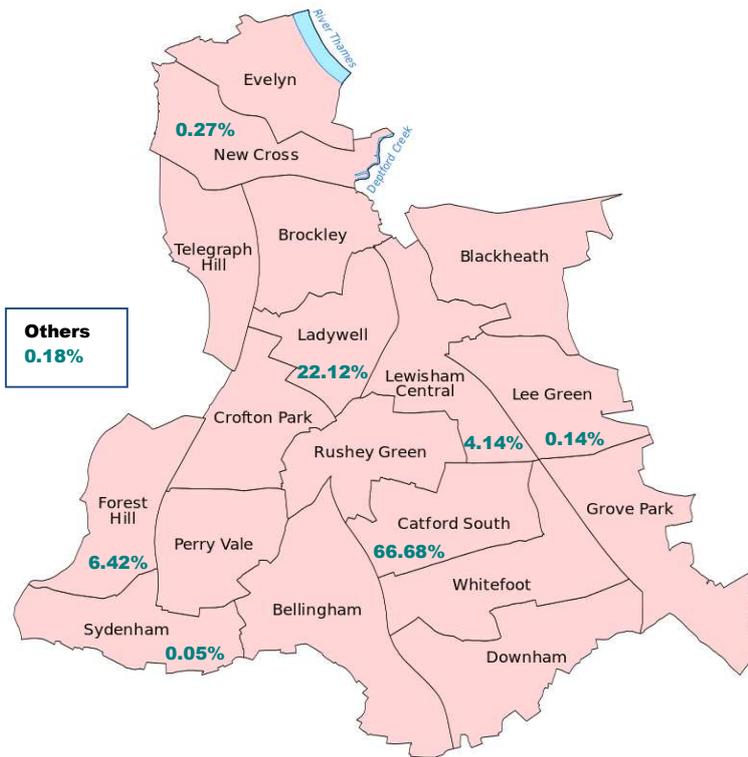
Part - Time Employees		Total Employees	
457	20.69%	2209	100%

Gender	Children & Young People		Community Services		Customer Services		Resources & Regeneration		Total	%
Female	64	21%	174	39%	92	26%	48	21%	378	28.29%
Male	8	12%	33	17%	27	6%	11	8%	79	9.05%
All	72	18%	207	32%	119	15%	59	16%	457	20.69%

The table above and the chart below outline the percentage of part time workers as a percentage of all employees in each Gender. For example of all women employees in the Children & Young People Directorate , 21% are part time employees.

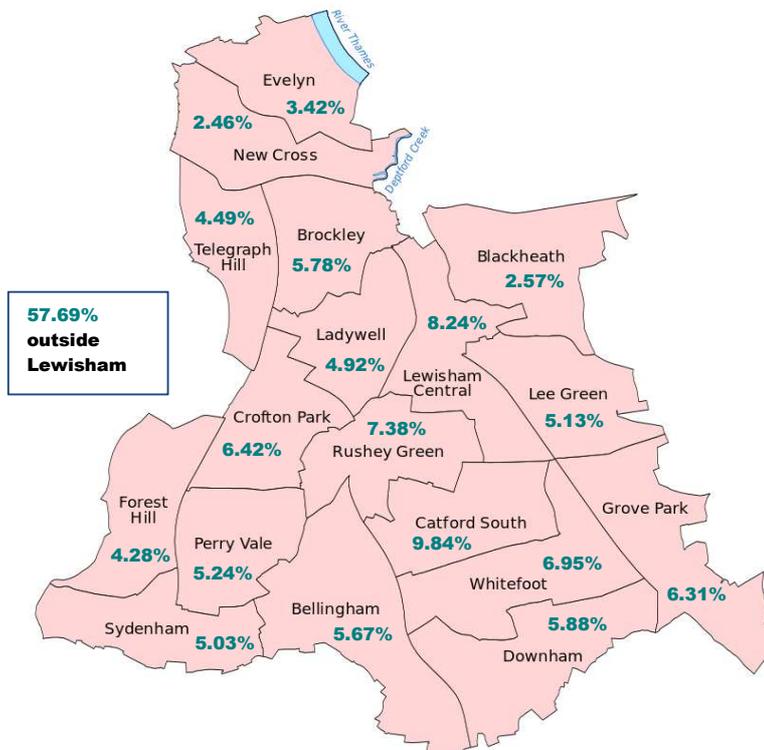


Employee's work locations within the Borough 2016/17



Work locations are based on post codes so although Eros House is in Rushey Green, the postcode shows work location as Catford South

Employees who live within the Borough 2016/17



42% of the staff live within the Borough which is 10% lower than last year's figure. The Catford / Rushey Green / Lewisham complex continues to be the main area for staff locations. 58% of staff live outside the London Borough of Lewisham.

Representation 2016/17

The Council's workforce continues to be broadly representative of the community in terms of both the ethnicity and gender makeup of the local population. 39.2% of the Council's workforce is from a BME background; which compares to a median across London Councils of 41% BME employees. Of the 7.4% of employees (164 employees) promoted during 2016/17, 3.1% of BME staff were promoted. Lewisham Council's BME workforce of 39.2% can be compared to London Council's median figure of 41% (*source London Councils Human Capita Matrix 2015/16*). Although the number of senior BME staff is below target at 19% - this percentage is broadly similar to previous years and continues to remain a priority within recruitment and management development activities.

The majority (60.5%) of the Council's staff are women who are well represented at all grades including senior levels, with women making up 57% of the top 5% earners, which is higher than last year's figure of 51% and compares to the median figure of 52% for all London Boroughs.

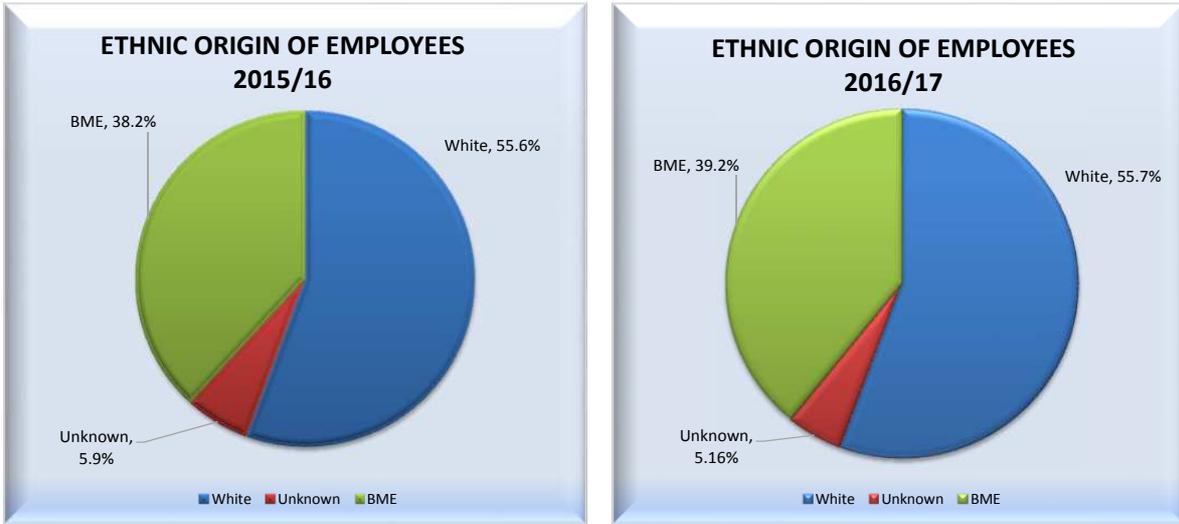
(source London Councils Human Capita Matrix 2015/16)

68.1% of employees are aged over 40, with the percentage of the workforce aged under 25 decreasing to 3.5% during 2016/17 compared to 4.7% in 2015/16. The median figure for employees aged under 25 across London Boroughs is 3.0%. (*source London Councils Human Capita Matrix 2015/16*)

A total of 4.1% of non-schools employees have declared that they consider themselves to have a disability, an increase of 0.4 percentage points since 2015/16. This compares to an average across all London Councils of 4.5% (*source London Councils Human Capita Matrix 2015/16*)

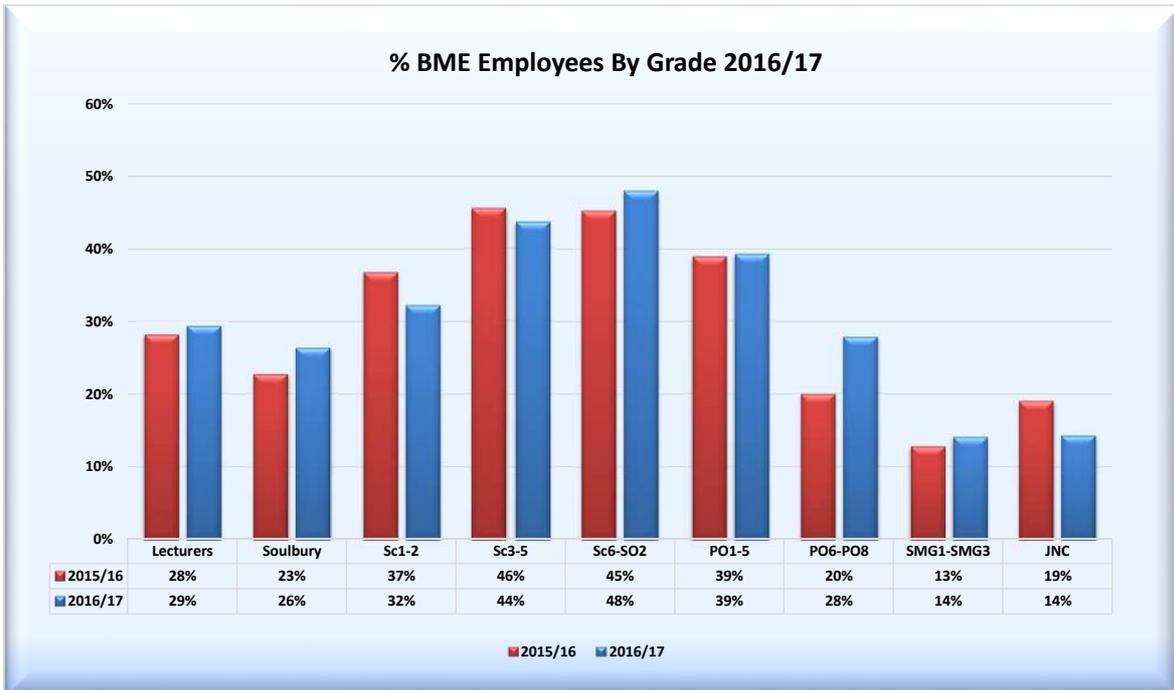
Employers with more than 250 employees are now required by the Government to publish information on the gender pay gap in their organisation. Female employees are paid more than male employees at Lewisham Council and the percentage pay gap difference of minus 7.18% by mean and minus 15.43% by the median salary. By comparison, in the UK women receive 20% less than men, on average. (*source <http://www.bbc.co.uk/news/business-35553573>*)

ETHNIC ORIGIN OF EMPLOYEES 2016/17



There has been a slight increase of 1% in the BME workforce compared to last year.

Grade	Lecturer	Soulbury	SC1 - 2	SC3 - 5	SC6 - SO2	PO1 - 5	PO6-PO8	SMG1-SMG3	JNC	TOTAL
Headcount 16/17	34	5	59	167	264	281	42	10	3	865
Headcount 15/16	36	5	85	192	226	290	31	10	4	879



The percentage of BME staff in the grade band PO6 - PO8 has increased by 8 percentage points from 20% in 2015/16 to 28% in 2016/17. BME employees make up 38.2% of all employees in addition, 6.2% of employees have not declared their ethnic origin.

EMPLOYEES ETHNIC ORIGIN BY DIRECTORATES 2016/17

	Community Services Directorate		Customer Services Directorate		Children & Young People Directorate		Resources & Regeneration Directorate		Total	
Arab	1	0.2%	2	0.2%	0	0.0%	0	0.0%	3	0.1%
Asian Bangladeshi	1	0.2%	1	0.1%	6	1.6%	0	0.0%	8	0.4%
Asian Chinese	3	0.5%	2	0.2%	0	0.0%	3	0.8%	8	0.4%
Asian Indian	11	1.7%	15	1.8%	4	1.1%	9	2.4%	39	1.8%
Asian Other	8	1.2%	4	0.5%	4	1.1%	5	1.3%	21	1.0%
Asian Pakistani	1	0.2%	0	0.0%	0	0.0%	3	0.8%	4	0.2%
Black African	60	9.3%	56	6.8%	35	9.5%	38	10.2%	189	8.6%
Black Caribbean	112	17.4%	173	21.0%	81	22.1%	50	13.4%	416	18.8%
Black Other	20	3.1%	25	3.0%	13	3.5%	2	0.5%	60	2.7%
Mixed Other	8	1.2%	6	0.7%	4	1.1%	5	1.3%	23	1.0%
Mixed White and Asian	4	0.6%	5	0.6%	4	1.1%	2	0.5%	15	0.7%
Mixed White and Black African	1	0.2%	3	0.4%	5	1.4%	0	0.0%	9	0.4%
Mixed White and Black Caribbean	16	2.5%	15	1.8%	5	1.4%	9	2.4%	45	2.0%
Other Ethnic group	11	1.7%	7	0.8%	3	0.8%		0.0%	21	1.0%
Prefer not to say	10	1.6%	28	3.4%	8	2.2%	3	0.8%	49	2.2%
UnKnown	36	5.6%	15	1.8%	12	3.3%	6	1.6%	69	3.1%
White British/Eng/Welsh/Scot/NIrish	299	46.4%	403	48.9%	152	41.4%	212	56.7%	1066	48.3%
White Irish	7	1.1%	15	1.8%	10	2.7%	7	1.9%	39	1.8%
White Other	34	5.3%	47	5.7%	21	5.7%	20	5.3%	122	5.5%
White Turkish / Turkish Cypriot	1	0.2%	2	0.2%	0	0.0%	0	0.0%	3	0.1%
Total all employees	644	100.0%	824	100.0%	367	100.0%	374	100.0%	2209	100.0%

	Community Services Directorate		Customer Services Directorate		Children & Young People Directorate		Resources & Regeneration Directorate		Total	
Total all minority employees	258	40.06%	315	38.23%	165	44.96%	127	33.96%	865	39.16%

WOMEN EMPLOYEES 2016/17

Women	Men	Total employees
1336	873	2209
60.5%	39.5%	100.0%

BY DIRECTORATE										
Gender	Children & Young People Directorate		Community Services Directorate		Customer Services Directorate		Resources & Regeneration Directorate		Total	
Women	300	81.7%	448	69.6%	356	43.2%	232	62.0%	1336	60.5%
Men	67	18.3%	196	30.4%	468	56.8%	142	38.0%	873	39.5%
Total	367	100.0%	644	100.0%	824	100.0%	374	100.0%	2209	100.0%

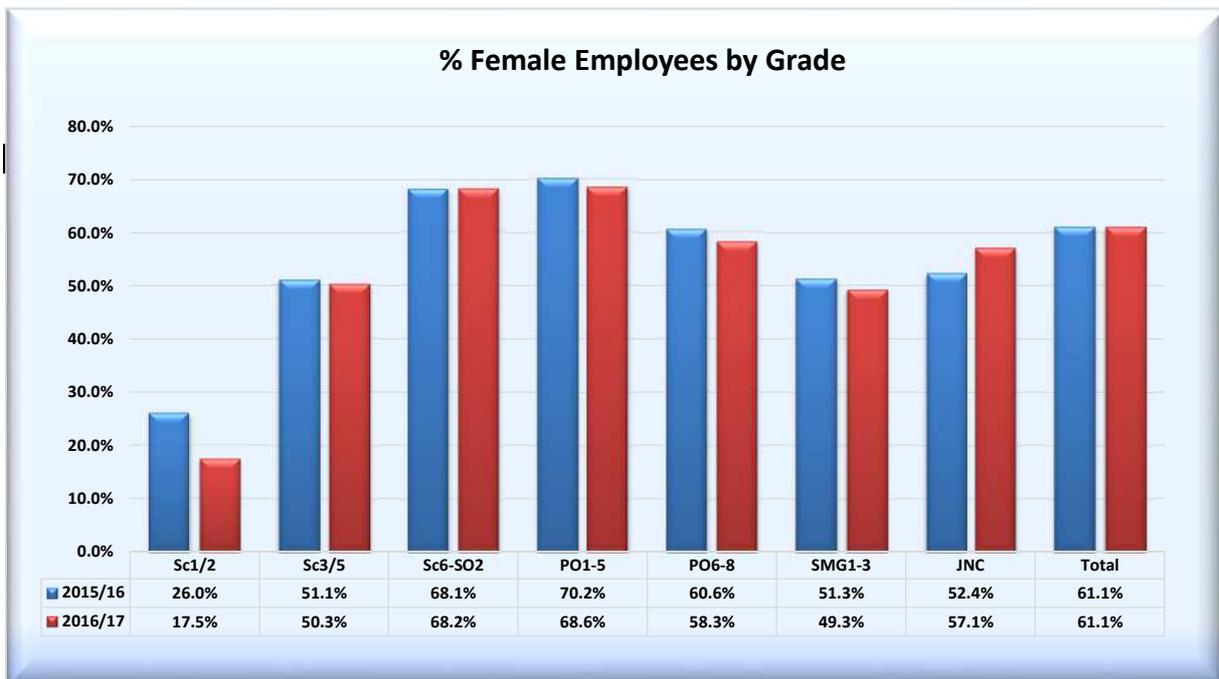
BY GRADE											
Lecturers		Soulbury		Sc1-2		Sc3-5		Sc6-SO2		PO1-5	
94	81.0%	17	89.5%	32	17.5%	192	50.3%	375	68.2%	491	68.6%
PO6-8		SMG1-3		JNC		Total					
88	58.3%	35	49.3%	12	57.1%	1336	60.5%				

BY LENGTH OF SERVICE									
0-4.99 years		5-9.99 years		10-19.99 years		20+ years		Total	
466	61.6%	232	54.8%	434	64.8%	204	56.8%	1336	60.5%

BY AGE											
16 - 20		21 - 25		26 - 30		31 - 35		36 - 40		41 - 45	
6	54.5%	30	45.5%	91	58.3%	112	56.0%	181	66.1%	150	63.6%
46 - 50		51 - 55		55 +		Total					
196	60.1%	258	60.8%	312	60.5%	1336	60.5%				

BY ETHNICITY							
BME		Unknown		White		Total	
567	65.5%	62	54.4%	707	57.5%	1336	60.5%

Disabled	
52	57.8%



The majority (61%) of the Council's staff are women who are well represented at all grades including senior levels, with women making up 51% of senior grades (top 5% of earners) which is very similar to 52% in 2015/16.

DISABLED EMPLOYEES 2016/17

Yes		No		Unknown	
90	4.1%	1303	59.0%	816	36.9%

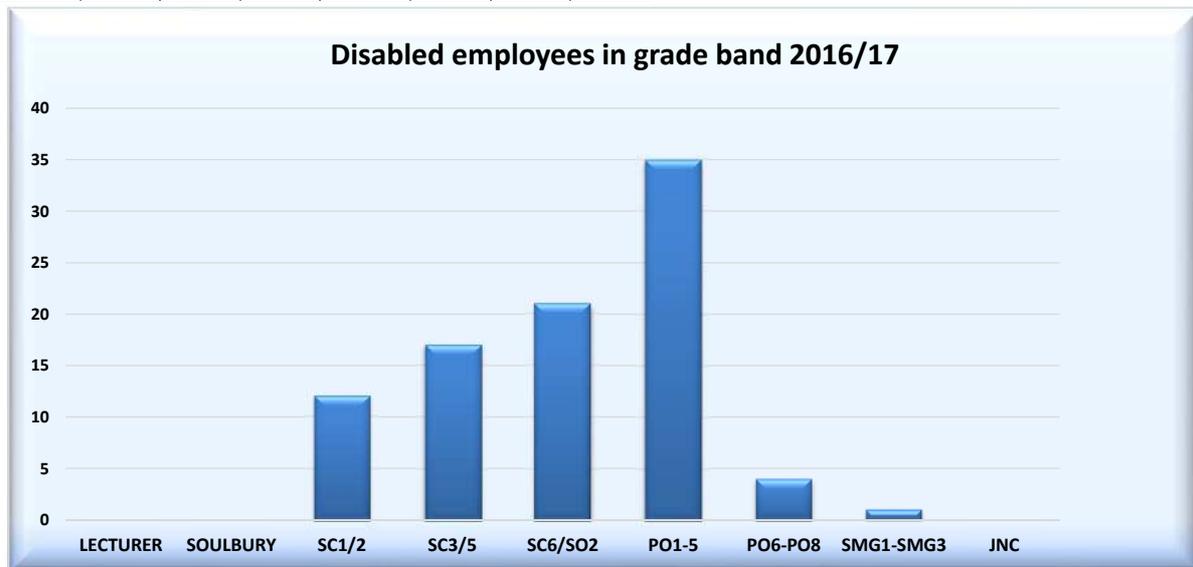
DIRECTORATE									
Children & Young People	Community Services	Customer Services	Resources & Regeneration	Total					
16	4.4%	28	4.3%	27	3.3%	19	5.1%	90	4.1%

BY GRADE											
Lecturer	Soulbury	Sc1-2	Sc3-5	Sc6-SO2	PO1-5						
0	0.0%	0	0.0%	12	6.6%	17	4.5%	21	3.8%	35	4.9%
PO6-8	SMG1-3	JNC	Total								
4	2.6%	1	1.4%	0	0.0%	90	4.1%				

BY LENGTH OF SERVICE									
0-4.99 years	5-9.99 years	10-19.99 years	20+ years	Total					
29	3.8%	11	2.6%	29	4.3%	21	5.8%	90	4.1%

BY AGE											
16 - 20	21 - 25	26 - 30	31 - 25	36 - 40	41 - 45						
0	0.0%	2	3.0%	6	3.8%	2	1.0%	6	2.2%	7	3.0%
46 - 50	51 - 55	55 +	Total								
17	5.2%	19	4.5%	31	6.0%	90	4.1%				

BY ETHNICITY										
BME	Unknown	White	Total							
32	3.7%	6	5.3%	52	4.2%	90	4.1%			



The chart demonstrates percentages of disabled staff within each of the grade bands. A total of 4.1% of non-schools employees have declared that they consider themselves to have a disability, an increase of 0.4% points from 2015/16. This compares to an average across all London Councils of 4.5% (source London Councils Human Capital Matrix 2015/16).

Protected Characteristics 2016/17

Religion			
Any other	0.77%	Muslim	1.27%
Buddhist	0.27%	None	17.96%
Christian (all denominations)	29.41%	Prefer not to say	5.29%
Hindu	0.32%	Sikh	0.23%
Jewish	0.09%	Unknown	44.39%
Total all employees			100.00%

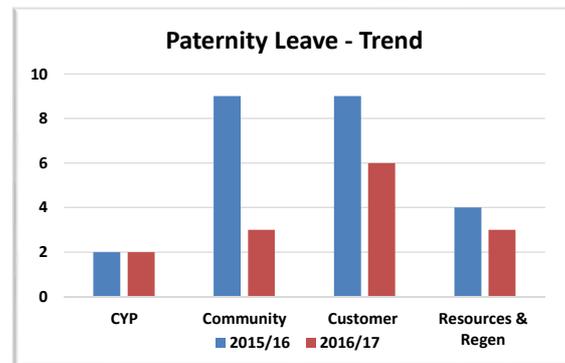
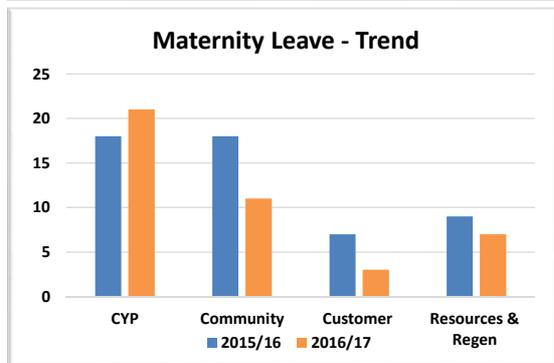
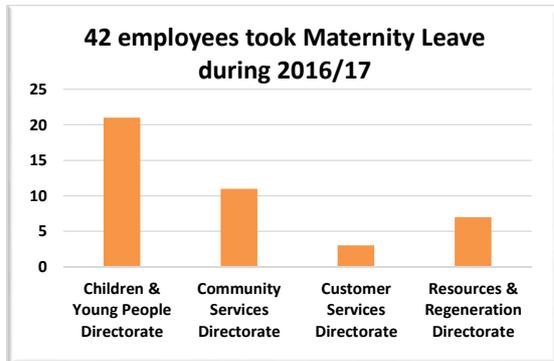
A large proportion of employees have not declared their religion. Of the employees who declared, most stated that they were Christian.

Sexual Orientation	
Bisexual	0.23%
Gay/lesbian	1.58%
Other	0.14%
Prefer not to say	4.62%
Straight/Heterosexual	48.46%
Unknown	44.98%
Total all employees	100.00%

A large proportion of employees did not declare their sexual orientation.

Marital Status	
Married/Civil Partner	26.26%
Not married/Not Civil Partner	15.78%
Prefer not to say	26.30%
Unknown	31.66%
Total all employees	100.00%

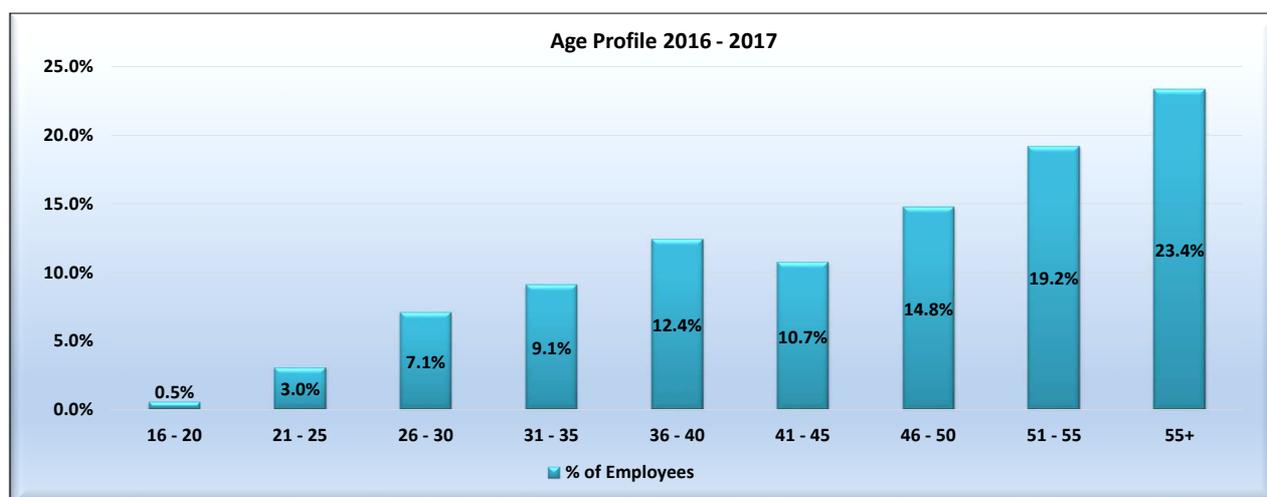
High number of employees did not respond to the question about their marital status. A large proportion also preferred not to state their status either.



AGE PROFILE 2016 - 2017

BY DIRECTORATE

	16 - 20	%	21 - 25	%	26 - 30	%	31 - 35	%	36 - 40	%	41 - 45	%	46 - 50	%	51 - 55	%	55+	%	Total	%
Children & Young People Directorate	3	0.8%	6	1.6%	47	12.8%	45	12.3%	62	16.9%	43	11.7%	48	13.1%	63	17.2%	50	13.6%	367	16.6%
Community Services Directorate	1	0.2%	13	2.0%	33	5.1%	54	8.4%	73	11.3%	81	12.6%	95	14.8%	123	19.1%	171	26.6%	644	29.2%
Customer Service Directorate	3	0.4%	23	2.8%	46	5.6%	69	8.4%	97	11.8%	84	10.2%	119	14.4%	170	20.6%	213	25.8%	824	37.3%
Resources & Regeneration Directorate	4	1.1%	24	6.4%	30	8.0%	32	8.6%	42	11.2%	28	7.5%	64	17.1%	68	18.2%	82	21.9%	374	16.9%
Total	11	0.5%	66	3.0%	156	7.1%	200	9.1%	274	12.4%	236	10.7%	326	14.8%	424	19.2%	516	23.4%	2209	100%



The age profile of the Council is outlined above, demonstrating that 68% of employees are over 40. The average age of the workforce in Lewisham is 46, this is due to the fact that historically, people entered local government to build a career and tend to have remained working for the Council. 42% of employees live in the Borough; this together with good transport links, coupled with the attractive terms and conditions of employment; can explain why staff in the older age bands tend to stay with the Council.

The percentage of the workforce aged under 25 is 3.5% which has decreased from 4.7% in 2015/16. The Council continues to attract young people via various schemes such as the Apprenticeship scheme, the National Graduate Development Programme and other traineeships such as Legal Trainees, Finance Trainees and Social Work Traineeships. There are programmes in place to address hard to fill roles, the Council is also seeking to fill entry level posts with Apprentices as our HR Business partners are actively encouraging services who have not yet taken up Apprenticeship opportunities to do so.

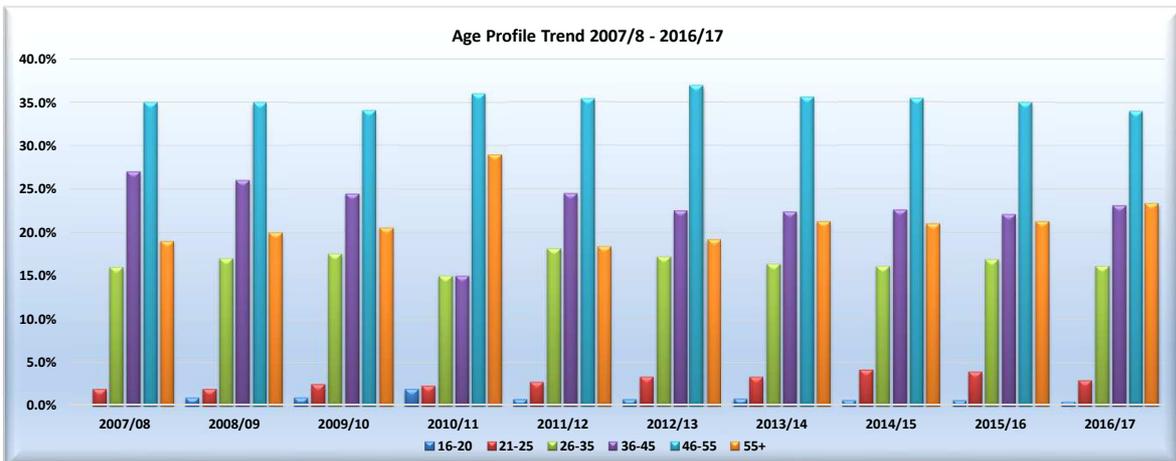
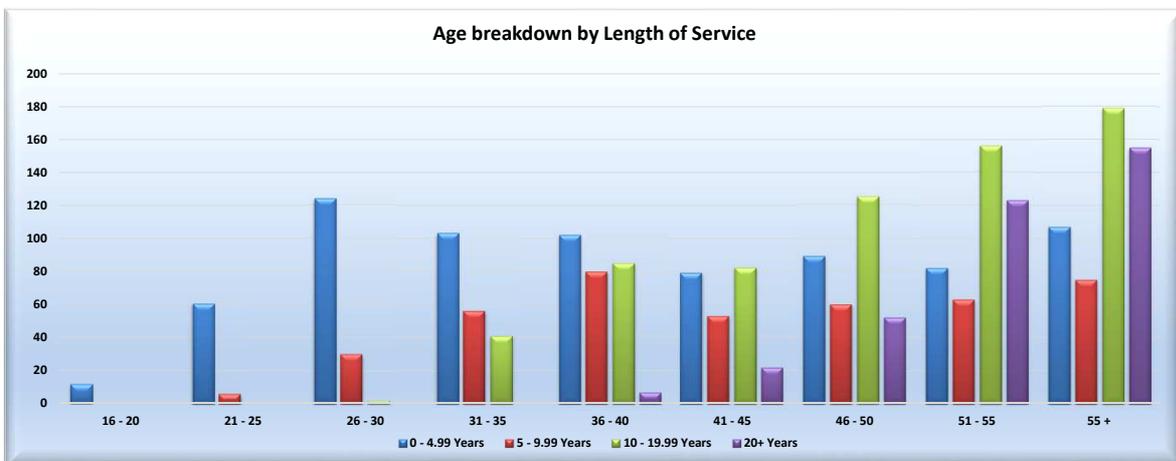
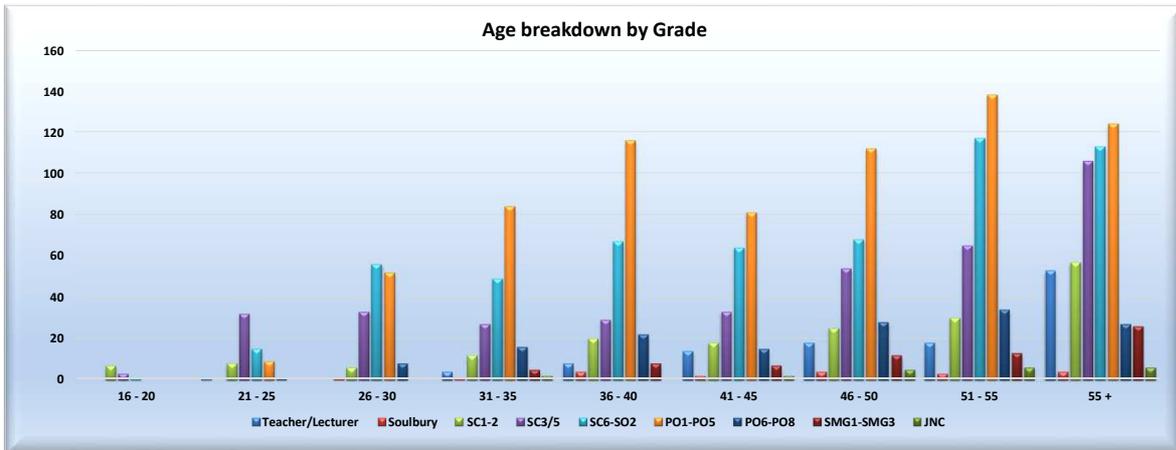
By Ethnicity

	16 - 20	%	21-25	%	26-30	%	31-35	%	36-40	%	41-45	%	46 - 50	%	51 - 55	%	55+	%	Total	%
BME	9	1.0%	29	3.4%	65	7.5%	88	10.2%	109	12.6%	106	12.3%	132	15.3%	178	20.6%	149	17.2%	865	39.2%
Unknown	1	0.9%	7	6.1%	7	6.1%	7	6.1%	16	14.0%	16	14.0%	20	17.5%	16	14.0%	24	21.1%	114	5.2%
White	1	0.1%	30	2.4%	84	6.8%	105	8.5%	149	12.1%	114	9.3%	174	14.1%	230	18.7%	343	27.9%	1230	55.7%
Total	11	0.5%	66	3.0%	156	7.1%	200	9.1%	274	12.4%	236	10.7%	326	14.8%	424	19.2%	516	23.4%	2209	100%

By Disability

	16 - 20	%	21-25	%	26-30	%	31-35	%	36-40	%	41-45	%	46 - 50	%	51 - 55	%	55+	%	Total	%
Disabled	0	0.0%	2	2.2%	6	6.7%	2	2.2%	6	6.7%	7	7.8%	17	18.9%	19	21.1%	31	34.4%	90	100%

AGE PROFILE 2016 - 2017



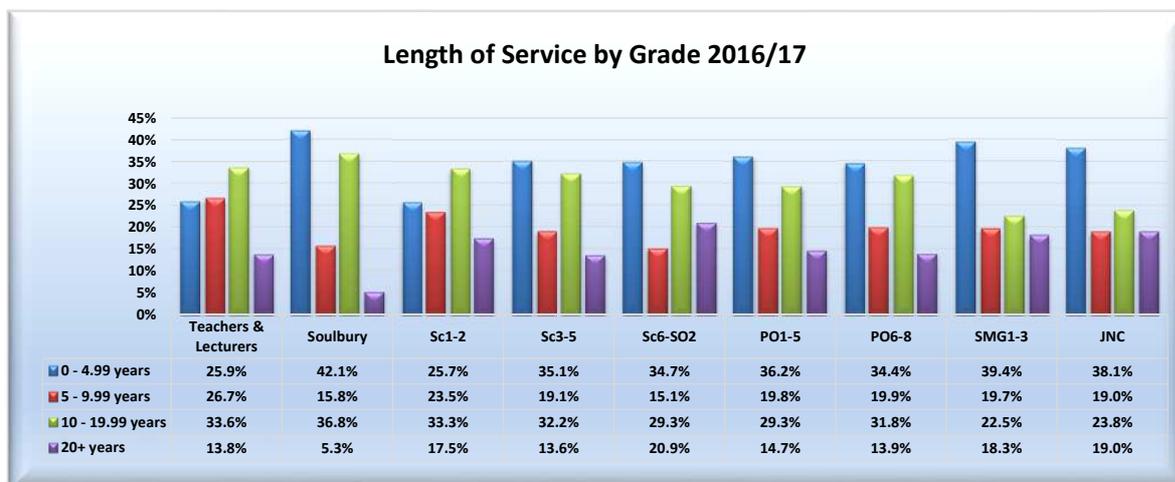
Over the past 10 years the number of staff in age bands '16-20', '21-24', '25-34', '45-54' have remained broadly similar. The age group 55+ has increased by 8 percentage points over the last 10 years which can be explained by the numbers of staff in this age group who remain working for the Council for a number of years. The decrease in age band 55+ during 2011/12 can be explained by the large number of redundancies during that year. All age bands in 2016/17 are broadly similar when compared to the 2015/16 financial year, except 21-25 which has a decrease from 4.0% in 2015/16 to 3.0% in 2016/17

LENGTH OF SERVICE WITH LONDON BOROUGH OF LEWISHAM 2016/17

BY DIRECTORATE	0 - 4.99 years	%	5 - 9.99 years	%	10 - 19.99 years	%	20+ years	%	Total	Total %
Children & Young People	177	48.2%	77	21.0%	90	24.5%	23	6.3%	367	16.6%
Community Services	233	36.2%	136	21.1%	207	32.1%	68	10.6%	644	29.2%
Customer Service	204	24.8%	149	18.1%	274	33.3%	197	23.9%	824	37.3%
Resources & Regeneration	143	38.2%	61	16.3%	99	26.5%	71	19.0%	374	16.9%
Total	757	34.3%	423	19.1%	670	30.3%	359	16.3%	2209	100.0%

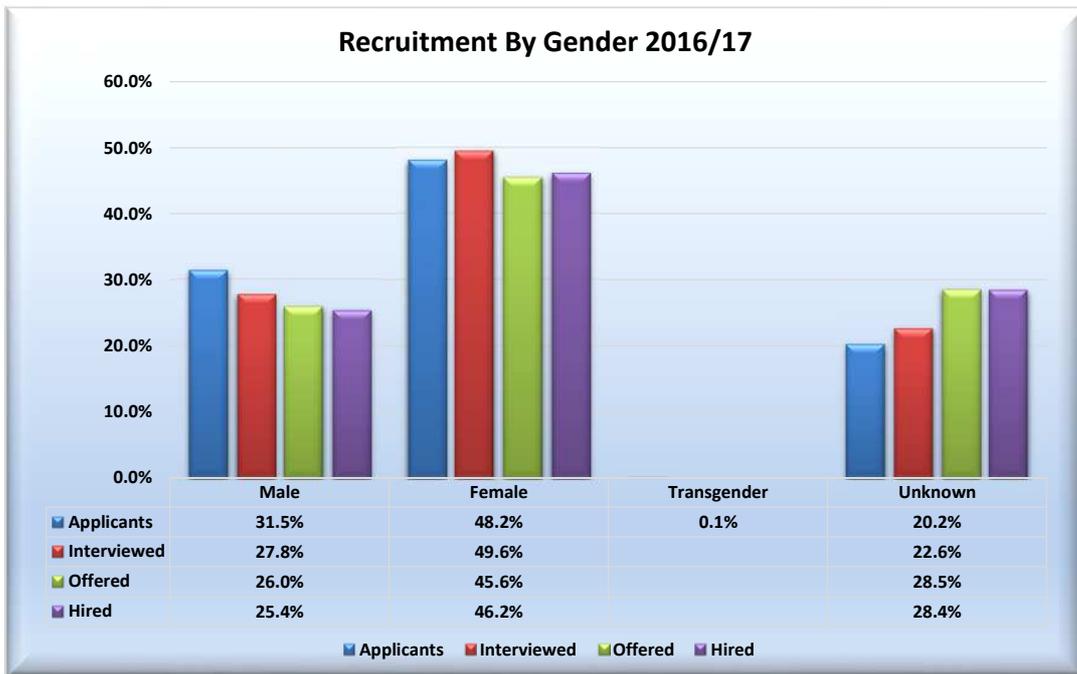
CYP Directorate have the highest proportion of employees with less than 5 years service. This can be explained by increased numbers of Newly Qualified Social Workers joining the Directorate. By comparison, CYP percentage of employees with over 10 years service (30.8%) is lower than the other Directorates. This could be explained by the nature of social work which has a high level of "burn out" causing social workers to leave after just a few years in post. The Council has implemented a transformation programme to address this issue.

BY GRADE	0 - 4.99 years	%	5 - 9.99 years	%	10 - 19.99 years	%	20+ years	%	Total	Total %
Lect	30	25.9%	31	26.7%	39	33.6%	16	13.8%	116	5.3%
Soulbury	8	42.1%	3	15.8%	7	36.8%	1	5.3%	19	0.9%
Sc1 - 2	47	25.7%	43	23.5%	61	33.3%	32	17.5%	183	8.3%
Sc3 - 5	134	35.1%	73	19.1%	123	32.2%	52	13.6%	382	17.3%
Sc6 - SO2	191	34.7%	83	15.1%	161	29.3%	115	20.9%	550	24.9%
PO1 - 5	259	36.2%	142	19.8%	210	29.3%	105	14.7%	716	32.4%
PO6 - 8	52	34.4%	30	19.9%	48	31.8%	21	13.9%	151	6.8%
SMG1 - 3	28	39.4%	14	19.7%	16	22.5%	13	18.3%	71	3.2%
JNC	8	38.1%	4	19.0%	5	23.8%	4	19.0%	21	1.0%
Total	757	34.3%	423	19.1%	670	30.3%	359	16.3%	2209	100.0%



The table above demonstrates that there is a direct correlation between seniority and length of service. The success of the Council's apprenticeship scheme is evident by the high numbers of Sc1-2 employees in the length of service band '0 to 4.99' years and also in the grade band 'Sc3-5' as apprentices who successfully complete their apprenticeship are given "prior consideration" to posts of Sc3 and under at the end of their placement.

Recruitment by Gender 2016/17



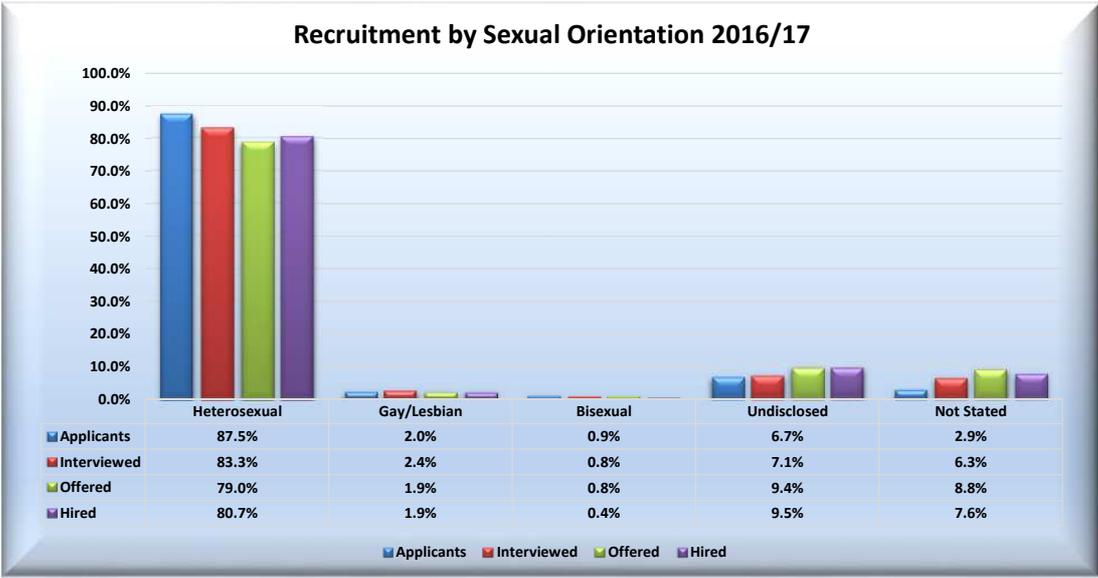
The Council received 4112 applications for 284 roles and appointed to 264 posts. 48.2% of applications made to the Council during 2016/17 were from female applicants which is a decrease from 58.7% during 2015/2016. Of the total appointments made during 2016/17 female appointees account for 46.2%. However please note that 816 applicants have "unknown" gender so these numbers are likely to be higher in reality.

Recruitment by Ethnicity 2016/17



During 2016/17, 58.8% of applications were made by applicants who identify as BME, which compares to 52.2% during 2015/16. During 2016/17 BME candidates represent 44.7% of the total appointments made.

Recruitment by Sexual Orientation 2016/17



2.9% of all job applications made during 2016/17 were from applicants who identify as Lesbian Gay Bisexual or Transgender (LGBT) which is higher than last year's figure of 1.9%; 2.3% of total appointments made during 2016/17 were candidates who identify as LGBT, which is consistent with last year's figure.

Impact of HR Processes

During 2016/17, the HR Division supported the Council in delivering services at a time of large public sector reductions by maintaining employee engagement and relations. The division ensured relatively good employee relations within the Council.

Moving into 2017/18 the HR Division continues to work to deliver the council's people management strategy objectives, having recently consulted managers to re launch these. They are:

Work with appointed system integrator and project team to ensure programme milestones are delivered, ensuring resources are appropriately assigned throughout the life of the programme and that contingency plans are in place with the existing system provider beyond March 2018.

Support and advise managers on reorganisations, recruitment and casework, provide MI, deliver an effective and robust workforce performance management system which supports managers to continue to upskill and improve services.

Implement a plan to deliver improvements to the job evaluation process; introduce improvements stemming from a review of demand analysis across the HR teams; implement value added elements with OH provider to improve health, well-being and sickness absence

Top three priorities for 2017 – 18 are:

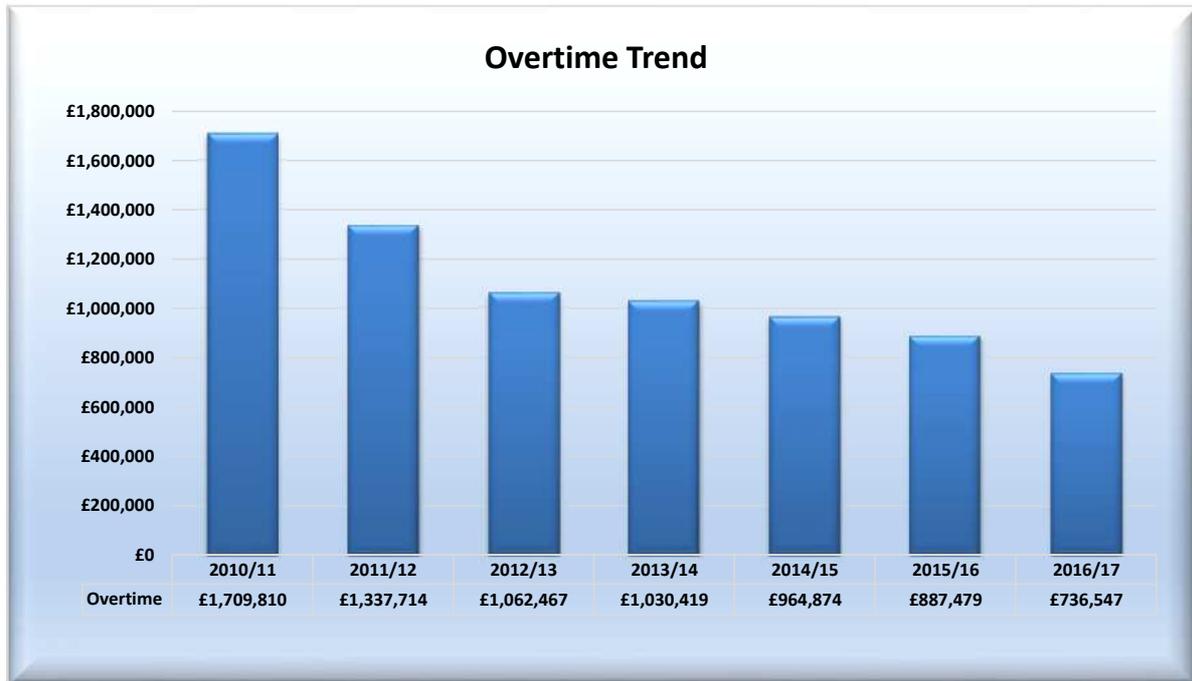
To procure and implement an integrated HR, Payroll and Finance System (ERP solution) that will facilitate and enable greater levels of employee/manager self-service; streamlining existing policies and processes; supporting agile and flexible working by accessibility of information through mobile devices

To ensure that the Council's People Strategy supports the direction and focus of the Service Transformation and Digital Programme and reflects the opportunities that the Apprenticeship levy will offer in developing professional standards across Lewisham

To ensure we continue to support the organisation to achieve value for money by reducing agency/interim spend, ensuring senior management is fully aware of usage and spend; providing accurate and timely management information; providing the training that is needed by the services; working proactively with managers on operational management issues

OVERTIME/ADDITIONAL HOURS 2016/17

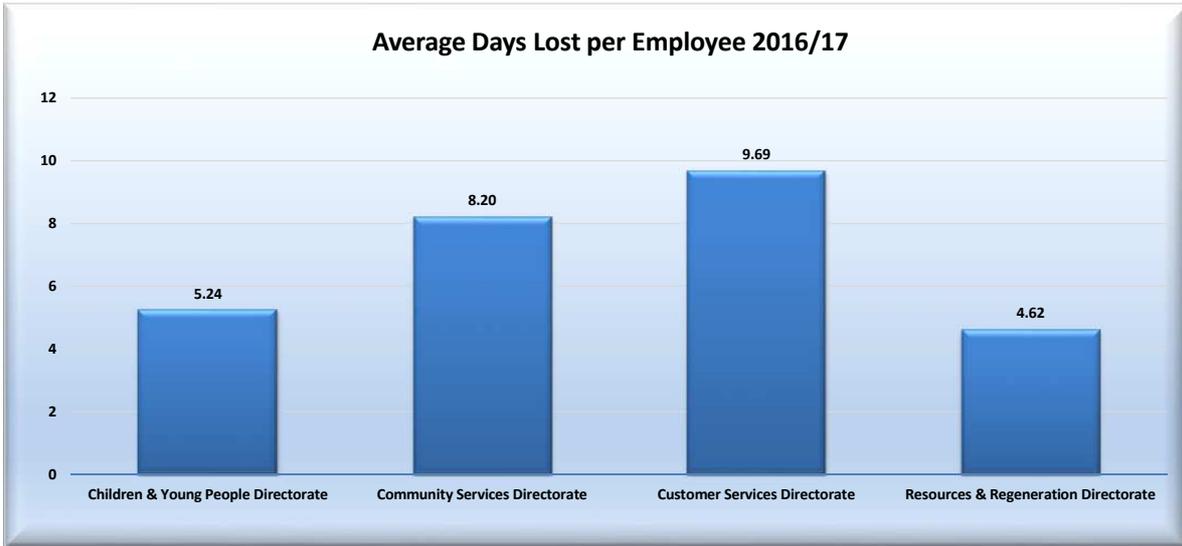
	Overtime 2015/16	Overtime 2016/17	Decrease
Children and Young People	£74,453	£28,785	-£45,668
Community Services	£128,832	£122,534	-£6,299
Customer Services	£669,035	£550,465	-£118,570
Resources & Regeneration	£15,159	£34,763	£19,604
Total	£887,479	£736,547	-£150,932



The overtime trend has continued to decrease over the last 7 years and continues to be closely monitored on a monthly basis.

SICKNESS ABSENCE PER EMPLOYEE (excluding Schools) - 2016/17

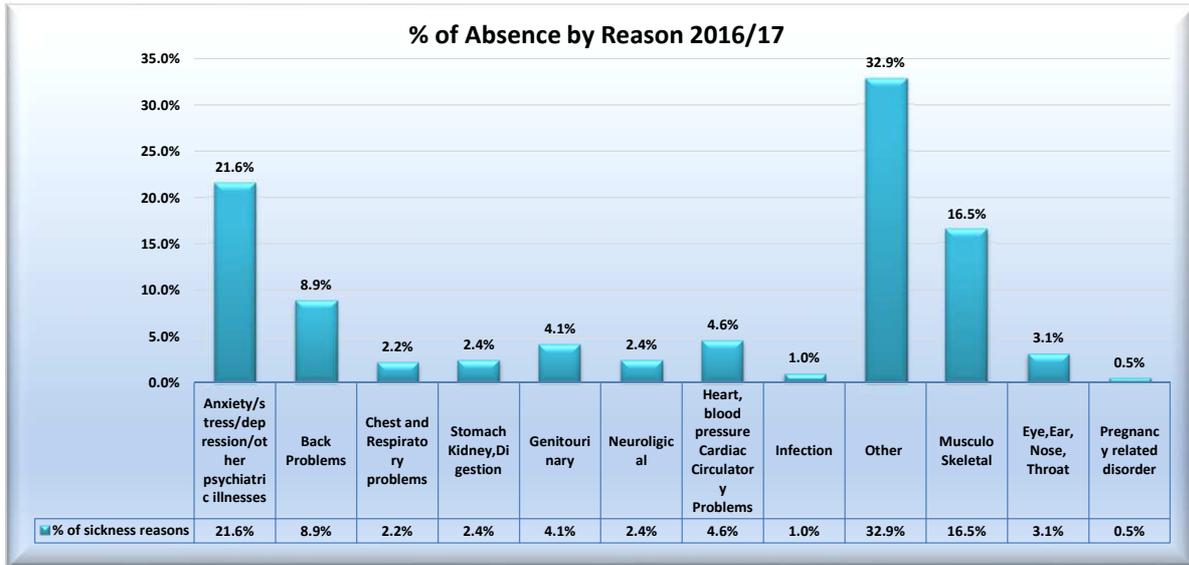
Directorate	Actual Days	Average FTE	Avg Days Lost 16/17	Avg Days Lost 15/16
Children & Young People Directorate	1836.72	350.81	5.24	6.43
Community Services Directorate	4326.88	527.48	8.20	10.14
Customer Services Directorate	7733.86	798.11	9.69	9.05
Resources & Regeneration Directorate	1575.56	341.31	4.62	4.26
Lewisham Council excluding Schools	15473.03	2017.72	7.67	8.06



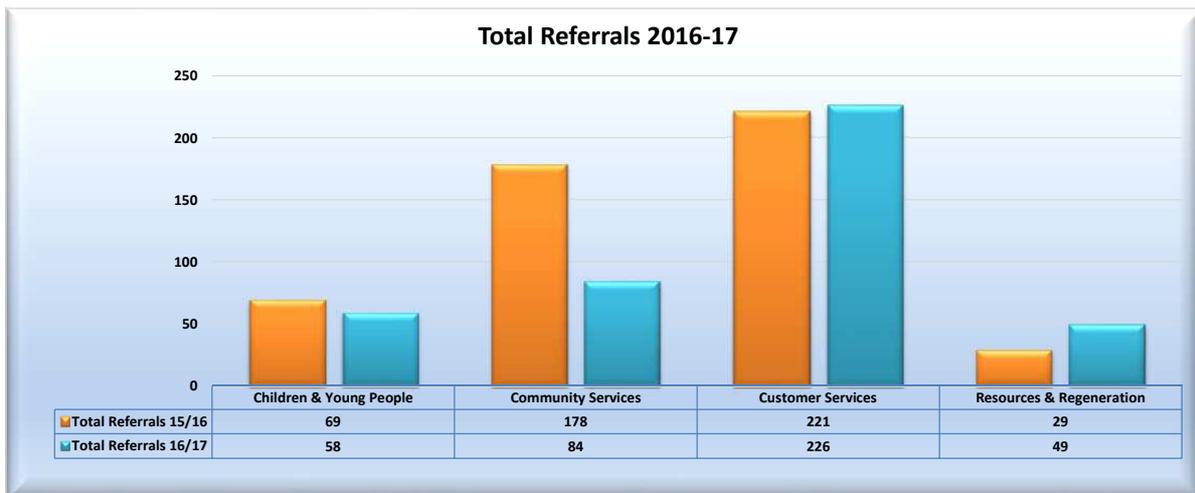
The average days lost per employee has decreased to 7.67 days in 2016/17 from 8.06 days during 2015/16. The median number of days lost per employee across London Councils is 8.1 (source *London Councils Human Capital Matrix 2016*). The average number of days lost has decreased in Children & Young People and Community Services Directorates; Resources and Regeneration Directorate has a lower average days lost than the other Directorates.



OCCUPATIONAL HEALTH REFERRALS EXCLUDING SCHOOLS



Musculo-skeletal and stress reasons continue to be the most prevalent reason for OH referrals year on year. Stress/depression/fatigue reasons include a range of mental health reasons e.g. depression disorder, as well as domestic stress and work related reason (which form a small proportion of this category)



PROMOTED EMPLOYEES - 2016/17

Promoted Employees		Total Employees	
164	7.4%	2209	100%

BY DIRECTORATE									
Children & Young People		Community Services		Customer Services		Resources & Regeneration		Total	
37	10.08%	60	9.32%	50	6.07%	17	4.55%	164	7.42%

BY GENDER					
Male		Female		Total	
60	6.87%	104	7.78%	164	7.4%

BY GRADE											
Lecturer		Soulbury		SC1-2		SC3-5		SC6-SO2		PO1-5	
1	0.86%	2	10.53%	0	0.00%	27	7.07%	47	8.55%	65	9.08%
PO6-8		SMG1-SMG3		JNC		Total					
15	9.93%	6	8.45%	1	4.8%	164	8.5%				

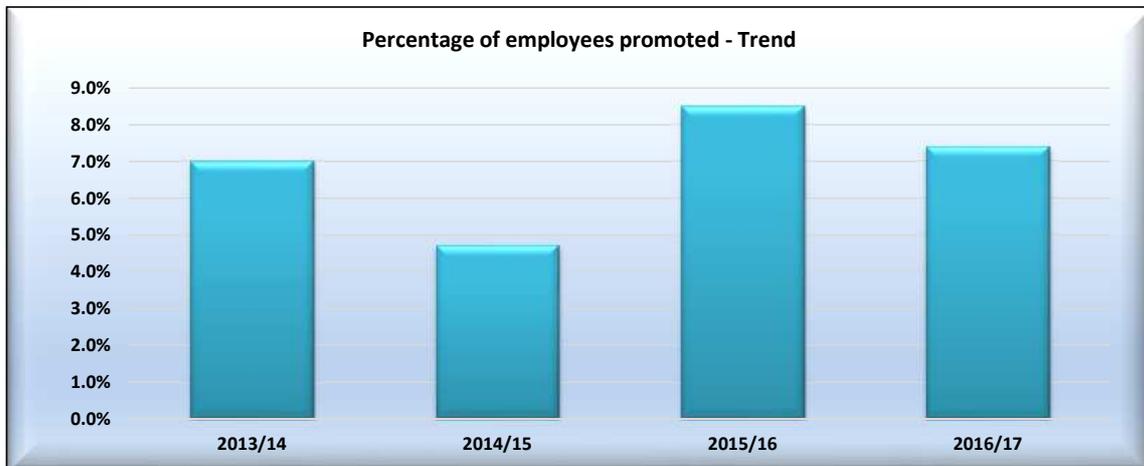
BY LENGTH OF SERVICE									
0 - 4.99 years		5 - 9.99 years		10 - 19.99 years		20+ years		Total	
64	8.5%	50	11.8%	37	5.5%	13	3.6%	164	7.4%

BY AGE											
16 - 20		21 - 25		26 - 30		31 - 35		36 - 40		41 - 45	
3	27.3%	17	25.8%	32	20.5%	25	12.5%	15	5.5%	22	9.3%
46-50		51-55		55+		Total					
16	4.9%	19	4.5%	15	2.9%	164	7.4%				

BY ETHNICITY							
BME		Unknown		White		Total	
68	3.1%	9	7.9%	87	7.1%	164	7.4%

BY DISABILITY	
Disabled	
2	

The percentage of promoted non-schools employees during 2016/17 is 7.4%. Promotion is defined as those staff who have had their post regraded or achieved promotion through appointment to a more senior position and it also includes staff appointed to higher grades as a result of the restructures.



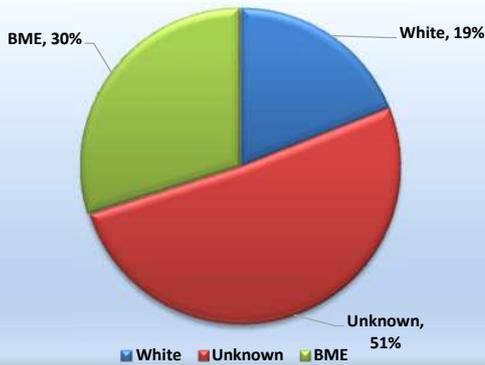
Agency Profile 2016/17

Agency Gender Profile 2016/17

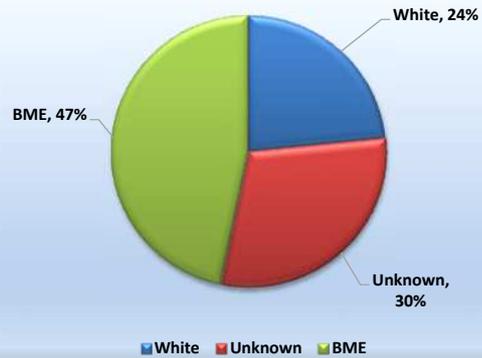
Gender	Children & Young People	Community	Customer	Resources & Regeneration	Total
Women	90	110	76	33	309
Men	32	55	210	54	351
Total	122	165	286	87	660

Agency workers form a large proportion of workers in Refuse and Cleansing Services (in Customer Services Directorate) which explains the high proportion of male agency workers compared to the opposite trend for permanent staff

Agency Ethnicity Profile 2016/17

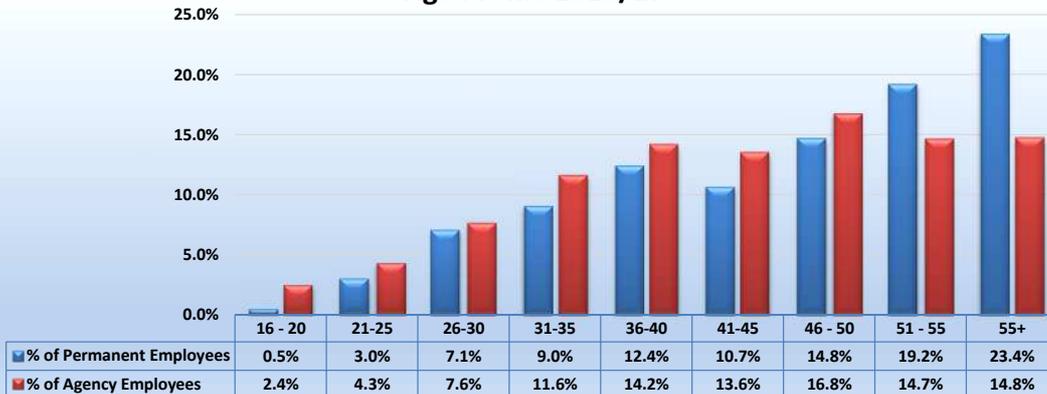


Agency Ethnicity Profile 2015/16



The high percentage of agency workers having an "unknown" ethnic origin can be explained by the fact that although Reed (who have the contract for the Agency Managed Service (AMS)) require that their agency workers provide this information, third party suppliers to the contract do not require that their workers provide this information.

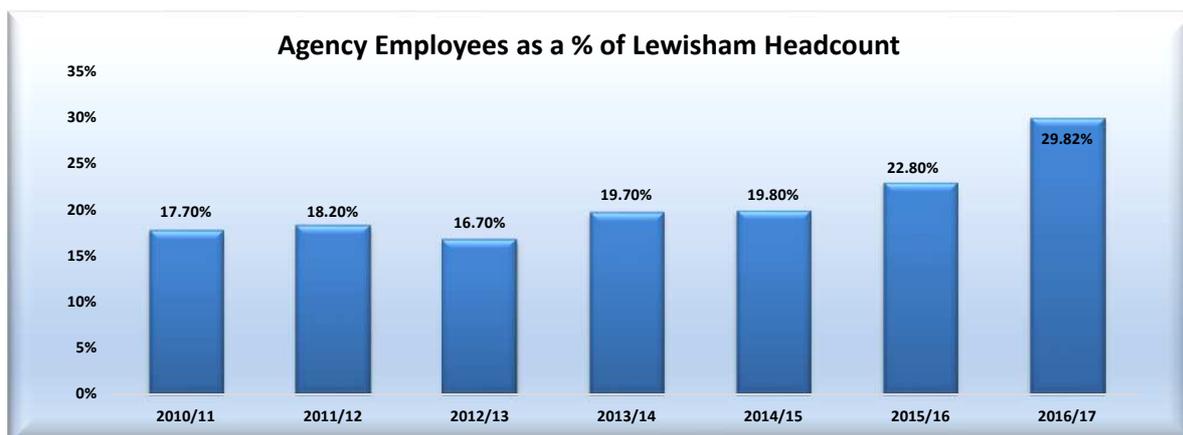
Age Profile 2016/17



29.5% of agency workers are aged over 50. This could be due to the fact that these experienced agency workers are covering niche roles in the Council.

AGENCY STAFF EXPENDITURE
April 2016 to March 2017

ANNUAL SPEND ON AGENCY STAFF BY DIRECTORATE				
Directorate	2016/17		2015/16	
	£'000	%	£'000	%
Children & Young People	5106	22.7%	4344	21.8%
Community Services	5453	24.3%	5273	26.4%
Customer Services	8439	37.6%	7596	38.1%
Resources & Regeneration	3454	15.4%	2736	13.7%
TOTAL	22,452	100.0%	19,949	100.0%



In 2016/17 agency staff made up almost 29.8% of the total workforce compared to 22.8% in 2015/16. The percentage of agency employees has increased by 7 percentage points over the last year due to number of re-organisations which has resulted in specialist individuals being engaged to cover posts whilst permanent recruitment is being undertaken. This along with the fact that agency worker tenure has increased has resulted in an increase in expenditure of £2.5m on the previous year's figure.

AVERAGE NUMBER FOR THE "TOP JOB ROLES" AGENCY STAFF PER MONTH 2016/17		
Directorate	Job Role	No.
Community Services	Bar Steward	69
	Adults Social Worker	17
	Adult Social Worker - Hospital	14
Customer Services	Cleansing Loader/Sweeper	55
	Recycling Days Loader/Sweeper	42
	Refuse Loader/Sweeper	26
	Passenger Attendant	25
Children & Young People	Team Manager	11
	Childrens Social Worker - R&A	10
	Educational Psychologist	7
	Business Support Officer	7
Resources & Regeneration	Planning Officers	4
	Project Manager	3
	Accountant	3

Agency staff are used for a variety of reasons, but the main reasons for agency usage over the last years has been for additional staffing/flexible resourcing.

Learning & Development 2016/17

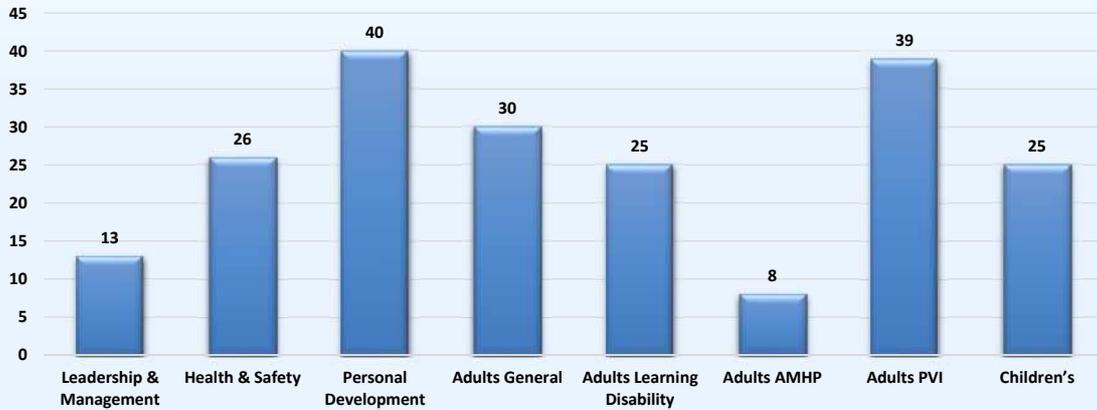
Staff Attendance on courses April 2016 – March 2017.

During the period of April 2016 – March 2017, a total **206** courses were successfully delivered via the Reed Learning partnership. In addition a total of **65** external events were also part of the learning and development training programmes. Of the Learning Partnership courses and external events that were run, **107** courses had an attendance of over **70%**. A total of **3127** both internal and PVI delegates booked to attend both LP courses and external events and a total of **1291*** delegates attended, resulting to a **42%** attendance for the training year. Of the **1291** delegates that attended courses, **713** were internal council staff and **578** were from PVI organisations.

Community Services directorate had the highest attendance with **212** attendees followed by Customer Services with **130**. CYP and Resources and Regeneration had **83** and **46** respectively. A total of **135** Children and Adults social care delegates attended the external events arranged by the L&D team.

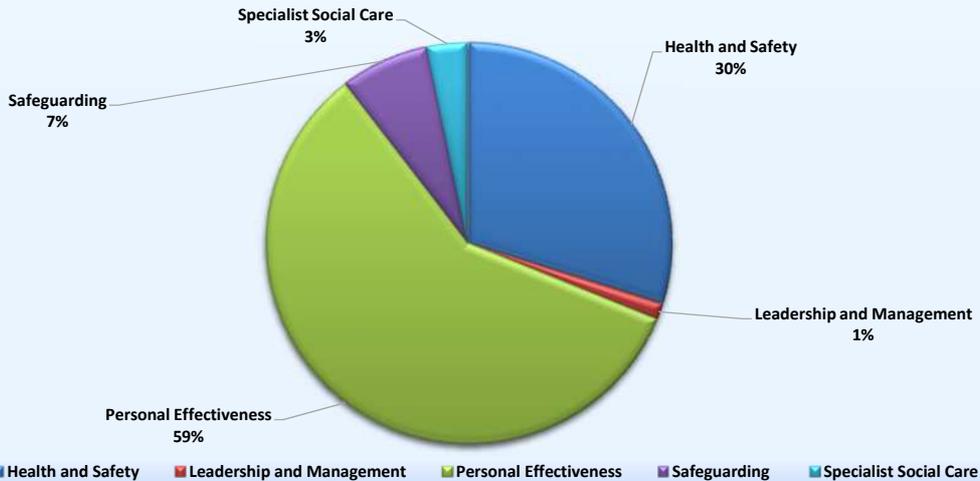
**The overall attendance is low due to approved delegate status not being confirmed as attended in time for reporting.*

Total of Monthly Events ran by Course Catalogue



Of the learning programmes described above, Adult courses were the most delivered with a total of **102** events.

Number of E-learning completions 2016/17



Of the E-learning programmes listed above by course types, **154** staff completed **38** courses relating to the above subject areas. Personal Effectiveness courses were the most completed.

LEAVERS 2016/17

In 2016/17 the number of non-schools employees reduced from 2300 at the beginning of the year to 2209 by the year's end, a net reduction of 91(3.9%) employees.

Total number of employees at April 2016 - **2300**
Less number of employees leaving on redundancy terms - **75**
Less number of employees leaving on Voluntary Severance - **None**
Less number of voluntary leavers/dismissals (includes resignations & retirements) - **262**
Plus number of new starters - **246**
Total number of employees at March 2016 - **2209**

Analysis of the 169 voluntary leavers represent a 7.5% turnover, which is less than the 10.5% turnover figure in 2015/16, but continues to be higher than the average trend for the previous years. Further analysis of this increase is being undertaken.

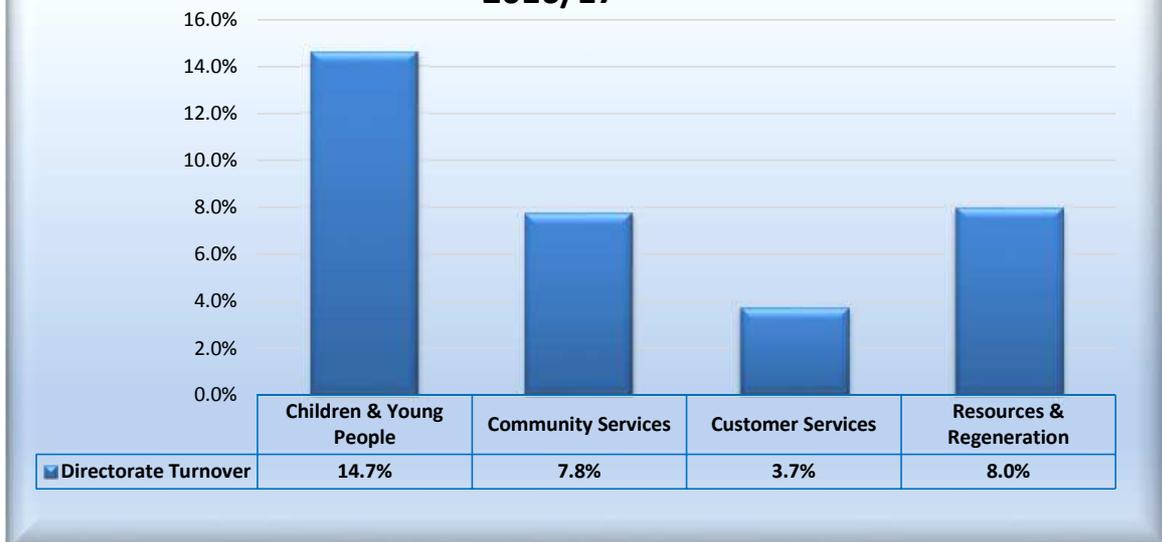
Employees being made redundant continue to be offered HR briefings on the redeployment/redundancy process together with a programme of outplacement support training (OPS) and advice from Jobcentre Plus. The programme includes CV writing and job search skills, interview skills, and business start up workshops. Feedback on the OPS support has been extremely positive as has the feedback for the confidential financial advice sessions offered to staff. Employees are also offered one to one coaching sessions from REED and a comprehensive "employability skills" programme has been set up on the intranet for employees which includes practice psychometric tests.

Voluntary Leavers between April 2016 - March 2017

Voluntary leavers are employees who have chosen to leave the authority for personal reasons so do not include redundancies, dismissals, TUPE transfer and voluntary severance

Directorate	Employed April 16	Employed March 17	Net Voluntary Leavers	Directorate Turnover
Children & Young People	411	367	57	14.7%
Community Services	694	644	52	7.8%
Customer Services	843	824	31	3.7%
Resources & Regeneration	352	374	29	8.0%
Total	2300	2209	169	7.5%

**Staff Turnover - Voluntary Leavers by Directorate
2016/17**



BY GENDER	Employed April 16	Employed March 17	Leavers Count	Turnover
Female	1405	1336	117	8.5%
Male	895	873	52	5.9%
Total	2300	2209	169	7.5%

BY ETHNICITY	Employed April 16	Employed March 17	Leavers Count	Turnover
BME	879	865	61	7.0%
Unknown	142	114	21	16.4%
White	1279	1230	87	6.9%
Total	2300	2209	169	7.5%

BY LENGTH OF SERVICE	Employed April 16	Employed March 17	Leavers Count	Turnover
0 - 4.99 Years	717	757	98	13.3%
5 - 9.99 Years	495	423	33	7.2%
10 - 19.99 Years	697	670	29	4.2%
20+ Years	391	359	9	2.4%
Total	2300	2209	169	7.5%

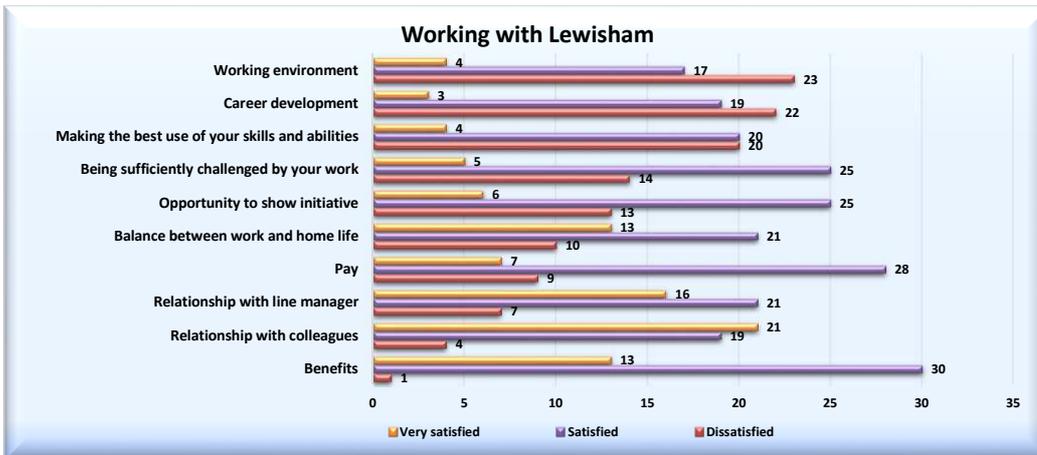
Turnover is highest amongst those with less than 5 years service which could be explained by the Apprenticeship Scheme, which lasts for 22 months.

BY AGE	Employed April 16	Employed March 17	Leavers Count	Turnover
16 - 20	16	11	0	0.0%
21 - 25	91	66	20	25.5%
26 - 30	152	156	24	15.6%
31 - 35	238	200	27	12.3%
36 - 40	244	274	18	6.9%
41 - 45	264	236	22	8.8%
46 - 50	367	326	18	5.2%
51 - 55	436	424	20	4.7%
55 +	492	516	20	4.0%
Total	2300	2209	169	7.5%

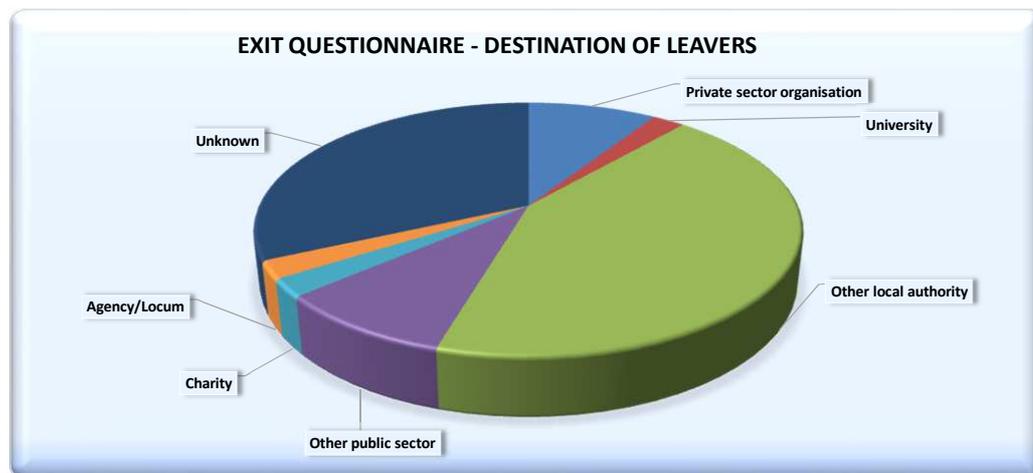
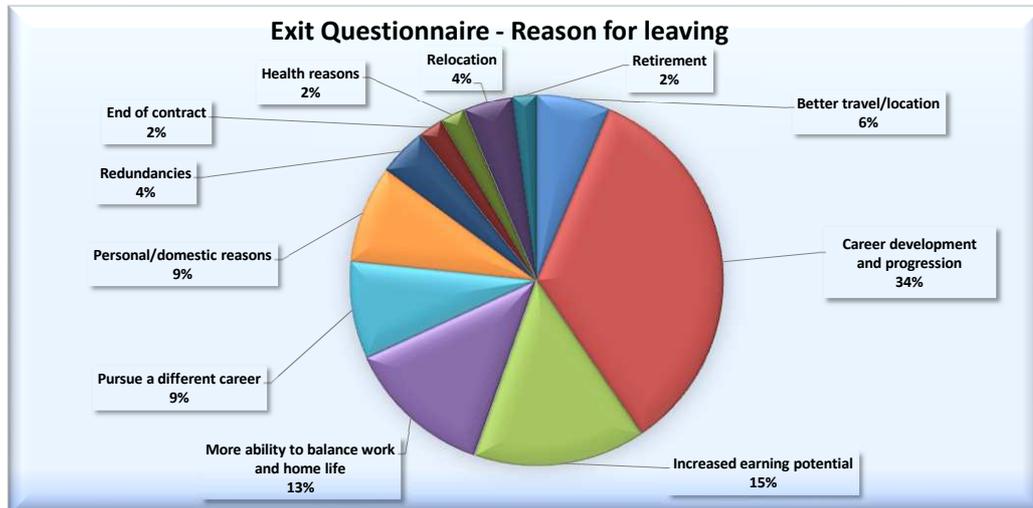
Again turnover by age band is the highest amongst those in 21 - 25 age band which could be explained by the number of young people on the Apprenticeship Scheme, although there is a "prior consideration" scheme in place for those who successfully complete their trainee placement

BY Grade	Employed April 16	Employed March 17	Leavers Count	Turnover
Lect	128	116	9	7.4%
Soulbury	22	19	4	19.5%
Sc1 - 2	231	183	16	7.7%
Sc3 - 5	421	382	19	4.7%
Sc6 - SO2	499	550	29	5.5%
PO1 - 5	745	716	71	9.7%
PO6 - 8	155	151	12	7.8%
SMG1 - 3	78	71	9	12.1%
JNC	21	21	0	0.0%
Total	2300	2209	169	7.5%

Exit Survey 2016/17



44 people completed an exit questionnaire during 2016/17, 97.7% of respondents were satisfied/very satisfied with the benefits that Lewisham offers to employees and 79.5% of respondents were satisfied/very satisfied with their pay; 90.9% of respondents were satisfied/very satisfied with their relationship with colleagues; and 47.7% of respondents were satisfied/very satisfied with the working environment; 50% of respondents were dissatisfied with career development opportunities. The main reason employees gave for leaving was 'career development' and the main destination of leavers was 'other local authority'



HR is taking action to encourage leavers to complete the exit questionnaire, in order to give more in-depth analysis of the views of those leaving the Council - this includes a link to the questionnaire in the leavers letter and also follow up emails from HR. We have also adapted the exit questionnaire to improve our ability to quantify the data.

Agenda Item 7

AUDIT PANEL		
Report Title	Internal Audit Update Report	
Key Decision	No	Item No.
Ward	ALL	
Contributors	Head of Corporate Resources	
Class	Part 1	Date: 14 September 2017

1. Purpose of the report

- 1.1. This report presents members of the Audit Panel with:
 - Progress against the internal audit plans; and
 - Progress of implementation of internal audit recommendations;

2. Recommendations

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

3. Background

- 3.1. Internal Audit is a statutory service. Its main priority is to provide management and members with independent and objective assurance on the control environment within the Council.
- 3.2. The internal audit service consists of an in-house team that is supported by external service providers.
- 3.3. This details in this report for the 2017/18 work are as at the 18 August 2017.

4. Executive Summary

4.1. Progress against the corporate audit plan

All nine remaining audits from the 2016/17 audit plan are now finalised.

The 2017/18 audit plan is going well with 40% of the plan now underway. There were two audits finalised since the last meeting.

One audit was cancelled as the scope was covered in another audit.

4.2. Limited, No Assurance, and Consultancy reports.

There were three 'Limited' reports (from 2016/17), and one consultancy review issued since the last meeting.

4.3. High or Medium recommendations not agreed by management

Two recommendations that were not agreed by management were referred to the Internal Control Board. They delegated the decision to the relevant Executive Director (ED) to assess the risk / cost. Their decision will be reflected in the monitoring of recommendations in the usual way.

4.4. Follow up reviews

Follow-up reviews will be conducted only for those audits with a Limited, No Assurance or Consultancy review. This will however be done within six months (rather than the current nine). Internal audit reserves the right to follow-up on any audit or any individual recommendation if required.

There were ten follow-up reviews issued since the last meeting.

4.5. Management progress against recommendations made

The percentage of overdue recommendations to open recommendations has increase significantly from 15% to 33%. This may be down to the summer months while officers are away on annual leave.

The aged analysis report show that 19% of recommendations are taking over one year to implement from the final report.

4.6. Types of controls for recommendations made

At the request of the Audit Panel, from 2017/18 internal audit are now reporting on the types of controls relating to High and Medium recommendations.

There were only two corporate audits to categorise this time, neither of them were financial audits. Governance is where the majority of recommendations were made in these two audits.

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

The remaining school report (No Assurance) from the 2016/17 plan is now finalised.

From the 2017/18 audit plan, two reports were finalised since the last report. Both had positive opinions.

The percentage of overdue recommendations to open recommendations is 46%, a decrease from the 56% report last time.

There were no follow up reviews conducted on schools' since the last meeting.

4.8. Any other business

In addition to the planned audits the service will be working with the finance and HR teams implementing the new Oracle ERP system to assess proposed controls in the new processes.

5. **Progress against the corporate internal audit plan**

2016/17 Plan

- 5.1. The nine audits that were outstanding at the last meeting are now finalised. The executive summaries for those with issued with an audit opinion of 'Limited' can be found in appendix 2.

Audit (Corporate)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
No Recourse to Public Funds (NRPF) Case Framework	09/06/17	Substantial	-	2	3
Extra Care Scheme - Campshill Road	01/06/17	Substantial	-	2	3
Mobile Devices (Contract Monitoring)	07/07/17	Satisfactory	2	3	1
IT and Digital Strategy	01/06/17	Satisfactory	-	6	-
Vehicle Fleet - Purchase, Maintenance and Fuel Tank maintenance at Wearside	19/06/17	Satisfactory	1	6	2
Safe Guarding - Section 42 Referrals	03/07/17	Limited	-	10	2
Business Continuity Plans for Adult Social Care Providers	20/06/17	Limited	-	3	-
Public Health - Target based payments to GPs	26/06/17	Substantial	-	-	1
Minor Works Programme (Schools)	20/06/17	Limited	2	5	2

2017/18 Plan

- 5.2. The 17/18 plan is now underway. Typically, staff are on annual leave in the summer months. This means that arranging meetings, conducting testing / fieldwork, and finalising of reports takes a little longer to complete.
- 5.3. The core financial audits will start in quarter three (Oct – Dec). This represents 34% of the corporate plan. The table below shows the status of the plan as at 18/08/17.

Original Plan	Extra Audits	Dropped Audits	Current Plan	Not Yet Started	ToR / Field work stage	Reports at Draft	Final Reports
68	8	(6)	70	50	16	2	2

- 5.4. There were two audits finalised since the last meeting. The executive summary for the consultancy review can be found in appendix 2.

Audit (Corporate)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
LGA Graduate Training Scheme	18/07/17	Substantial	-	2	2
Performance Management and Service Planning	21/07/17	Consultancy	-	8	1

- 5.5. Cancelled – Community Building Maintenance - cancelled due to the majority of the scope being covered in another audit.
- 5.6. Additional – there were no additional assurance or consultancy work required.

6. Limited, No Assurance, and Consultancy Corporate reports

- 6.1. There were three 'Limited' reports issued since the last meeting, and one consultancy review. All the executive summaries from these reports can be found in Appendix 2.
- 6.2. The audits for those reports from 2016/17 audit plan, were considered in the annual assurance report as a draft / indicative opinion. These did not change.

Limited

- Safe Guarding – Section 42 Referrals (2016/17)
- Business Continuity Plans for Adult Social Care Providers (2016/17)
- Minor Works Programme – Contract Management (2016/17)

Consultancy

- Performance Management and Service Planning (2017/18)

7. High or Medium recommendations not agreed by management

- 7.1. Where a high or medium recommendation is not agreed by management, the recommendation goes before the next Internal Control Board (ICB) for the final decision.
- 7.2. ICB decide if they accept the risk of not implementing or agree that it should be implemented. Where they agree it should be implemented, the recommendations are monitored in the normal way. Where ICB do not agree to implement the recommendation, they are then reported at the next Audit Panel meeting.

The two recommendations that were not agreed by management were referred to the Internal Control Board. They delegated the decision to the relevant Executive Director (ED) to assess the risk / cost. Their decision will be reflected in the monitoring of recommendations in the usual way.

8. Follow-up reviews

Changes to the process

- 8.1. Internal audit previously followed-up on all corporate audits that had high and / or medium recommendations, normally nine months after the final report. The exception to this was core financial audits, where they were followed-up at the next annual review.
- 8.2. To make the most of internal audit resources and address the risk of implementation of recommendations becoming longer dated, the way follow-up reviews are to be conducted is changing for 2017/18. The ICB, agreed that only those with a Limited, No Assurance or Consultancy review will received an automatic follow-up review. The follow-up will now take place at six months.

Internal audit reserve the right to follow-up on any audit or any individual recommendation if required.

8.3. Reporting on managements' progress on High and Medium recommendations will continue as normal.

8.4. The table below lists the follow-ups conducted since the last meeting, showing the number of implemented, in progress and not implemented. It shows that 58% of recommendations were not implemented in full at the follow-up review. The majority being still in progress.

Audit	Implemented	In Progress	Not Implemented
Risk Management	3	-	-
AFACT	4	-	-
Public Access to information	2	4	1
Housing Bed & Breakfast	1	1	-
DPA	-	4	2
Appointeeships and safeguarding	-	3	1
Children's social care – Children Centre	1	4	-
Public Health Statutory Services	1	1	1
Employer Agents Contract Management	2	3	-
Learning Disabilities Contract Management	5	1	-
Total	19	21	6

9. Management progress against recommendations made

Overdue, Re-occurring and reopened recommendations

9.1. There is a significant increase in the number of percentage of overdue recommendations to open recommendations, from 15% to 33%. This is consistent with the pattern seen in previous years, i.e. partly down to timing, as it is the summer holidays and staff are on annual leave. Along with timely action the number of re-opened and re-occurring recommendations also continue to increase. The position will be monitored and updated at the next Audit Panel.

9.2. The overdue figure includes those officers who have provided an update, but did not amend the due date. Officers are sent reminders every quarter of their open recommendations and the need to complete the status, due date and action fields on the system.

9.3. The table below shows the last rolling year result for overdue, reopened and reoccurring recommendations.

9.4. To accompany the table, Appendix 4 lists the individual audits with recommendations that are either:

- Overdue (due date has passed)
- Re-occurring core financial recommendations, or
- Recommendations were re-opened at the time of the follow-up.

Month of meeting	Current no. of open recs	No. of overdue recs	No. of recs that have been re-opened	No of re-occurring core financial rec	Percentage of overdue recs to open
Sep 17	162	54	18	22	33%
May 17	146	22	2	28	15%
Mar 17	123	26	8	9	21%
Dec 16	107	26	10	13	24%
Sep 16	139	44	11	18	32%

Aged analysis report

9.5. This age analysis for recommendations is worked out by using the current due date for each recommendation, then deducting it the date of the final report.

No. of recs under 3 mths	No of recs 3 to 6 mths	No of recs from 6+ to 9 mths	No. of rec 9+ to 12 mths	No of recs 12+ to 18 mths	No of recs over 18+ mths
48	32	41	10	24	7
30%	20%	25%	6%	15%	4%

9.6. The table above shows that 19% of open recommendations have been open for over one year and remain to be completed. This is a slight decrease of the 20% reported at the last meeting.

9.7. It should be noted that they may be some recommendations that are will legitimately due in over one year, such as signing a contract.

9.8. Those recommendations over 12 months or more are discussed at the monthly DMT meetings.

10. Types of controls for recommendations made

10.1. It was agreed that audits conducted from 2017/18 will record the types of controls where High or Medium recommendations are made. This is the first time internal audit are reporting on this.

- 10.2. As there have been only two audits finalised, the number and type of examples are limited, but does give an indication of future reporting.
- 10.3. The recording of the type of control the recommendation covers can be subjective. It should be noted that a recommendation may also cover more than one control issue.

Control Type	Recommendation
Governance	<ul style="list-style-type: none"> • Terms of Reference review • Formalise minutes • Set and monitor objectives • Reports to be prepared in a timely manner
Procedure	<ul style="list-style-type: none"> • Document review process • Record formally outcomes of assessments
Compliance / Legal / Statutory	<ul style="list-style-type: none"> • Complete peer reviews as per council's framework.
Policy	<ul style="list-style-type: none"> • Setting guidance with key dates
Reconciliation	<ul style="list-style-type: none"> • Budget Monitoring to be carried out
Other	<ul style="list-style-type: none"> • Create and maintain complaints log
Separation of Duties	<ul style="list-style-type: none"> • n/a
IT	<ul style="list-style-type: none"> • n/a
DPA	<ul style="list-style-type: none"> • n/a
Authorisation	<ul style="list-style-type: none"> • n/a

11. Progress against schools' internal audit plan

2016/17

- 11.1. The 2016/17 schools plan is complete. The last audit to be finalised is listed below. The executive summary for this report can be found at appendix 5.

Audits (Schools)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Turnham Primary School	04/07/17	No Assurance	8	24	6

2017/18

- 11.2. The table below represents the status of the schools' audit plan for 2017/18. All the school visits are booked up and will be completed by year end by the in-

house team and Royal Borough of Greenwich. The status of the schools' plan or 2017/18 can be found in appendix 4.

Original Plan	Extra Audits	Dropped Audits	Current Plan	Not Started	Field-Work stage	Draft Reports	Final Report
27	-	-	27	21	1	3	2

11.3. There were two school audits finalised since the last meeting.

Audits (Schools)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Childric Primary School	24/07/17	Substantial	-	3	8
Downderry Primary School	26/07/17	Satisfactory	-	9	7

School Recommendations

11.4. The table below shows the status of open High and Medium school recommendations as at the 18/08/17. The percentage of overdue to open recommendations is 46%, which is a decreased since the last meeting. The status of the individual schools were they are overdue can be found in appendix 6.

Month of meeting	Current no. of open recs	No. of overdue recs	Percentage of overdue recs to open
Sep 17	153	70	46%
May 17	141	82	58%
Mar 17	107	41	38%
Dec 16	95	58	61%
Sept 16	154	67	43%

School follow up reviews

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

12. Any other business

12.1. In addition to the planned audits the service will be working with the finance and HR teams implementing the new Oracle ERP system to assess proposed controls in the new processes.

12.2. There have been some changes to the in-house team with staff moving on. Recruitment will be in September to ensure the service remains effectively resourced.

13. Legal implications

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

14. Financial implications

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

15. Equalities implications

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

16. Crime and disorder implications

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

17. Environmental implications

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

18. Background papers.

18.1. There are no background papers.

If there are any queries on this report, please contact David Austin, Head of Corporate Resources, on 020 8314 9114, or email him at: david.austin@lewisham.gov.uk

Appendix 1 – Corporate audit plan and progress for 2017/18

KEY - CF = Core Financial IT - Information Technology CT = Contract GEN = General Corporate Audits

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CF	Direct Payments (Core Financial Audit) 17-18										
CF	Payments to Adult Care Providers 17-18 (Core Financial Audit)										
CF	Accounts Payable 17-18 (Core Financial Audit)										
CF	Accounts Receivable 17-18 (Core Financial Audit)										
CF	Banking 17-18 (Core Financial Audit)										
CF	Client Contribution for Care Provision 17-18 (Core Financial Audit)										
CF	Council Tax 17-18 (Core Financial Audit)										
CF	Housing Benefit 17-18 (Core Financial Audit)										
CF	NNDR 17-18 (Core Financial Audit)										
CF	Payments to Care Provider and Foster Carers for Looked After Children 17-18 (Core Financial Audit)										

Appendix 1 – Corporate audit plan and progress for 2017/18

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CF	Budget Monitoring 17-18 (Core Financial Audit)										
CF	Capital Expenditure 17-18 (Core Financial Audit)										
CF	Main Accounting 17-18 (Core Financial Audit)										
CF	Non-Current Assets 17-18 (Core Financial Audit)										
CF	Payroll 17-18 (Core Financial Audit)										
CF	Pensions for LGPS and TPS 17-18 (Core Financial Audit)										
CF	Treasury Management 17-18 (Core Financial Audit)										

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
IT	Aims upgrade										
IT	Controcc System										

Appendix 1 – Corporate audit plan and progress for 2017/18

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
IT	Ash (Debt recovery) Feeder System										
IT	New CaseWork System										
IT	IT Helpdesk - Monitoring and escalation										
IT	Tribal System										
IT	New HR / Payroll IT systems										
IT	Oracle - Financial Replacement System										

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CT	Libraries										
CT	Monitoring of Lewisham Homes Management Agreement										
CT	Monitoring of Child Care Providers										
CT	Pre contract and Tendering										
CT	Facilities Management (FM?) - Contract management										

Appendix 1 – Corporate audit plan and progress for 2017/18

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CT	Parking Contract										
CT	Homecare Service										
CT	Health Visitor Contract										
CT	Deptford Reach Project										
CT	Reed Agency										
CT	Catford Regeneration Partnership Ltd (CRPL)										
CT	Procurement Arrangements										

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Key Performance Indicators (KPIs) and Departmental Service Plans.						21/07/17	Consultancy	-	8	1
GN	Apprenticeships, Graduates and other Professional Training Schemes						18/07/17	Substantial	-	2	1
GN	New MASH Arrangements (CYP)										
GN	Youth offending										

Appendix 1 – Corporate audit plan and progress for 2017/18

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Garden waste service										
GN	FOI / DPA										
GN	Blue Badges, Freedom Passes, Discretionary Passes and Taxi cards										
GN	General Data Protection Regulation Preparation										
GN	Homelessness										
GN	Adult Social Care Peer review action plan										
GN	IR35 - off payroll engagements										
GN	Initial Contact, Information, and Advice & Assessments –Adults										
GN	Community Health Care Pathway										
GN	Hand over from Hospital Discharge Neighbourhood team.										
GN	MASH (Multi Agency Safeguarding Hub) (COM)										
GN	Disability Facilities Grant										

Appendix 1 – Corporate audit plan and progress for 2017/18

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Door2Door										
GN	Decant processes										
GN	Rogue Landlords										
GN	Governors Support										
GN	Adoption Process										
GN	Children Looked After and Achieving Permanence (Adoption and Care Leavers experiences)										
GN	Children who need help and protection										
GN	Early Years 30hrs +										
GN	Fostering Arrangements										
GN	SEN Process										
GN	Procurement Cards										
GN	Risk Framework										
GN	VAT Audit										
GN	Grants (Large)										

Appendix 1 – Corporate audit plan and progress for 2017/18

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Grants (Small)										
GN	Advice and support of HR / Recruitment process										



Overall Internal Audit Assurance Opinion ▲ Limited		Risk Headings		
▲	1. Timeframes	H	M	L
●	2. Decision Making Framework	-	7	1
Total		-	10	2

★ Substantial ● Satisfactory ▲ Limited ■ No Assurance.

(See glossary for definitions).

Introduction

The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) which can be found on page 19. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.

Key findings that need attention

- The Social Care Access Information Team (SCAIT) delayed passing three referrals to the responsible teams by four working days.
- Indicative timescale were not always met including: when the concern was first received, investigation started, safeguarding plan started, and case conference held, and there is no facility to record the reasons why delays might be justified.
- Management not reviewing work in a timely manner was one reason for the delays to the indicative timescales.
- In five cases, the safeguarding plan was generated at an earlier date than the safeguarding plan was started on the Liquidlogic Adults' Social Care System (LAS)
- There is not a facility to allow a record of safeguarding plan and review to be made on LAS (as per stage 3 of the indicative timescales).
- Delegated enquires to the NHS in relation to pressure ulcers whilst these were monitored by LBL, they were often delayed as the process of investigation carried out by health staff can be a protracted one
- The information in the Adults Safeguarding Dashboard summary (for S42), used incorrect data. This included incorrect start dates, initiation of contact date, and the wrong safeguarding manger's name. In addition, it did not report on the indicative timescales.
- The Adults Safeguarding Dashboard (for S42), included cases that were not categorised as section 42 referrals by the social worker.

- Social workers incorrectly categorised a section 42 referral as a safeguarding concern, and a safeguarding concern as a section 42 referral.
- The dashboard included one case dealt with by a different authority.

Follow-up

The follow up for this audit will take place within nine months from the date of the final report.

Management are required to update the progress any High or Medium recommendations on the Recommendations SharePoint site.

Limitations

- Testing was limited to review of data recorded on the LAS system; other systems such as Meridio were not looked at.
- This audit focused on timescales, the actual decisions made and outcomes recorded were not looked at as part of this audit.
- Testing was done in relation to the indicative timescales, which are set by the Association of Directors of Adult Social Services (ADASS).
- **It should be noted that the timescales are not mandatory, but instead are used as target timescales. As such in some cases, it is entirely reasonable that the timescales are not met, for example whilst awaiting the outcome of a police investigation.**



Internal Audit Assurance Opinion	▲ Limited	Risk Headings	H	M	L
-----------------------------------------	-----------	----------------------	----------	----------	----------

★ Substantial ● Satisfactory ▲ Limited ■ No Assurance
(See glossary for definitions).

Introduction

The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) on page 10. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.

Key findings that need attention

- Updated Business Continuity Plans for three of the five adult care providers sampled were not available at the time of the audit;
- Business Continuity Plans for four of the five adult care providers sampled had not been submitted during the tender process; and
- Evidence that service providers had performed an annual test of their Business Continuity Plans as required was not available for any of the five providers sampled.

Areas that worked well:

- The contracts for provision of adult care service have a special condition Business Continuity clause placed by the Council.

★	1. Contracts and agreements in relation to BCP	-	-	-
▲	2. Monitoring and management reporting	-	3	-
Total		-	3	-

Follow-up

The follow up for this audit will take place within nine months from the date of the final report.

Management are required to update the progress of any High or Medium recommendations on the Recommendations SharePoint site.

Changes to the scope

This audit was conducted in line with the agreed Terms of Reference.



Internal Audit Assurance Opinon	▲ Limited	Risk Headings	H	M	L
★ Substantial ● Satisfactory ▲ Limited ■ No Assurance (See glossary for definitions). Introduction The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference on page 11. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned. Key findings that need attention		● 1. Contract and Contract Variation	1	1	-
		▲ 3. Contract Monitoring and Management Reporting	1	4	2
		Total	2	5	2

Follow-up

The follow up for this audit will take place within nine months from the date of the final report.

Management are required to update the progress any High or Medium recommendations on the Recommendations SharePoint site.

Changes to the scope

This audit was conducted in line with the agreed Terms of Reference.

Key findings that need attention

- The contract with Mitie Tilley Roofing Ltd for £704k (Contract 4 of the School Minor Works Programme contract) could not be located. It was also identified that copies of School Minor Works contracts were not being scanned so that electronic copies could be retained;
- Evidence of regular contract budget monitoring was not always retained and reasons for variances not always provided. There were inconsistencies in the variances reported;
- Service specification documents for two contracts were not signed by representatives of the Council as required;
- There are currently no reporting arrangements agreed with the contract administrators, Pinnacle ESP;
- Financial reports for Contracts 1, 2 and 3 were not provided to the Council in August, October, November and December 2016 as required by the contracts;
- The audit of works against agreed service specifications of the four Minor Works contracts has not been carried out; and
- Client satisfaction surveys have not been conducted as required.

Areas that worked well

- Contracts 1, 2 and 3 made provision for issuing (and agreeing) variations and identified Pinnacle ESP as contract administrators.



Assurance Opinion	Not Applicable	Risk Headings	H	M	L
Introduction The background for this consultancy work including the agreed scope and risks identified, are included in the Terms of Reference on page 10. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.		1. Performance Management	-	7	1
		2. Service Plans	-	1	-
		Total	-	8	1

Key findings that need attention

- Quarterly reports and dashboards are not being prepared as required;
- The terms of reference for the Strategy Performance and Communication Board (SPCB) does not state the frequency and quorum for its meetings;
- There are no meeting minutes recorded for the SPCB meetings held;
- The key dates section of the target setting guidance for the Children and Young People directorate does not state the key dates/deadlines as required;
- There is no up to date manual for the Performance Management System;
- There is no complaints log maintained for the Performance Plus system;
- Cyclical peer audits are not currently being performed as required;
- There is no evidence in place that the SPCB held teams to account for progress in developing their overdue service plans; and

Areas that worked well

- The accountability for corporate performance management is assigned; the roles and responsibilities are clearly defined;
- There is a dedicated performance management system in place; and
- There is an approved Corporate Performance management and Self-Regulation Framework in place.

Follow-up

The follow up for this work will take place within nine months from the date of the final report.

Management are required to update the progress any High or Medium recommendations on the Recommendations SharePoint site.

Changes to the scope

This audit was conducted in line with the agreed Terms of Reference.

Appendix 3 - Status of corporate recommendations.

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	Re-opened at F/up	Re-occurring (core only)
Accounts Payable 2016-17	Limited	16/03/17	2		1
Accounts Receivable 16-17	Limited	18/05/17	1		2
Appointeeship and Deputyship 15-16	Satisfactory	07/06/17		3	
BACS 2016-17	Satisfactory	01/11/16	3		
Banking 1617	Limited	18/05/17			2
Better Care Fund 16-17	Satisfactory	23/01/17	1		
Budget Monitoring and Setting 2016-17	Substantial	03/03/17	1		1
Client Contributions to Care Provision 16-17	Satisfactory	24/05/17	3		3
Children's Centres Contract Management	Limited	14/04/16		4	
Compliance with DPA 1998	Satisfactory	04/05/16		4	
Direct Payments 16-17	Satisfactory	05/05/17	1		2
Disaster Recovery / Business Continuity Planning 2015/16	Satisfactory	06/06/16	2		
Food Safety, Hygiene and Standards	Satisfactory	27/05/16	2		
ICT Disaster Recovery	Substantial	04/11/17	1		
IT Strategy 16-17	Satisfactory	06/06/17	6		

Appendix 3 - Status of corporate recommendations.

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	Re-opened at F/up	Re-occurring (core only)
Main Accounting 16-17	Satisfactory	29/12/16			1
Non Current Assets 16-17	Satisfactory	24/05/17	2		
Payments to Adult Care Providers 2016-17	Satisfactory	05/05/17	6		6
Payments to Care Providers and Foster Carers 2015-16	Satisfactory	06/06/16			1
Payments to Care Providers and Foster Carers 2016-17	Satisfactory	05/05/17			1
PayPal Post implementation	Satisfactory	05/05/17	2		
Performance Indicators and Service Planning 17-18	Consultancy	21/07/17	1		
Pensions 16-17	Satisfactory	08/05/17	4		2
Processes for Payments to Main Providers (Child)	Consultancy	14/06/16	5		
Public Access to Information	Satisfactory	04/05/16		4	
Public Health – Statutory Services 15-16	Satisfactory	06/06/16		1	
Schools' Catering Contract 16-17	Limited	03/03/17	3		
Schools' Minor Work Programme 16-17	Limited	20/06/17	5		

Appendix 3 - Status of corporate recommendations.

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	Re-opened at F/up	Re-occurring (core only)
SharePoint 14-15	Satisfactory	13/10/15		2	
South London and Maudsley NHS (SLaM)	Satisfactory	14/07/15	1		
Speech and Language Therapy - Contract Management 15-16	Substantial	20/05/16	1		
Vulnerable Clients Monies – New Monitoring Process	Substantial	11/05/17	1		
		total	54	18	22

Appendix 4 – Schools audit plan and progress

Name of Corporate Audit	F/W Started	F/W Ended	Draft report	Final Report	Assurance Level	H	M	L
Childeric Primary				24/07/17	Substantial	-	3	8
Downderry Primary				26/07/17	Satisfactory	-	9	7
John Ball Primary								
Perrymount Primary								
St John Baptist CE Primary								
Greenvale Special								
All Saints CE Primary								
Baring Primary								
Beecroft Garden Primary								
Brent Knoll School								
Brindishe Lee Primary								
Coopers Lane Primary								
Elfrida Primary								
Eliot Bank Primary								
Gordonbrock Primary								
Grinling Gibbons Primary								

Appendix 4 – Schools audit plan and progress

Name of Corporate Audit	F/W Started	F/W Ended	Draft report	Final Report	Assurance Level	H	M	L
Haseltine Primary								
Kelvin Grove Primary								
Holy Trinity CE Primary								
New Woodlands								
St Bartholomew's CE Primary								
Sir Francis Drake Primary								
St George's CE Primary								
St James' Hatcham CE Primary								
St Saviour's RC Primary								
St William of York Catholic Primary								
St Winifred's Primary Catholic Primary								



Current Audit Opinion	■ No Assurance	Direction of Travel	↔	2013/14 Audit Opinion	No Assurance	Risk Headings	H	M	L
★ Substantial	● Satisfactory	▲ Limited	■ No Assurance.	(Definitions in glossary).		▲ 1. Procurement	-	9	-
				The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) which can be found on page 24. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.		● 2. Income	-	1	1
				Significant Key findings that need attention (**identified in previous audit)		● 3. Asset Security	-	3	-
				<ul style="list-style-type: none"> A Finance Policy was not available at the time of the audit. Budget monitoring had not been done between February 2016 – December 2017. The income entered on the FMS was £3m different from the approved budget. Bank reconciliations had not been done between Feb 16 – Jan 17. Payments of £204.52 to an ex HT with the reference ‘Pension contribution’ were still in place. In addition, two leavers were still on the Payroll report. One pension contribution paid was calculated based on a lower contribution scale. A discrepancy of the amount paid to the HMRC for January was identified. The school was not registered on the Information Commissioners Website since 2013. POs were not always raised or approved.** Evidence to confirm goods were received was missing.** Invoices were not all authorised for payment.** Item for £16.5k was not on the asset register.** Asset register did not have all the required information.** There was no write off policy and no evidence of approval for disposed items.** Three governors and one finance staff had not completed a Register of interest form.** No authorisation for a virement for £116.3k.** Payroll reconciliations were not signed by the completer or reviewer.** Three members of staff did not have evidence of the right to work in the UK on file.** Not all staff had two references on file.** Tender documents and quotes were not retained. Invoices were paid late. Procurement card reconciliations had not taken place, some receipts were missing and no PO raised. Petty cash one claim over £100, receipts were not on files, claims not authorised or cash not signed for. 		▲ 4. Governance	1	2	1
						■ 5. Budget Monitoring	2	3	1
						■ 6. Banking	1	-	1
						■ 7. Payroll	3	3	-
						● 8. Recruitment	-	3	-
						▲ 9. Data Security	1	-	2
						Total	8	24	6

Page 171

- Purchase of a leaving gift using the card was made.
- No formal debt recovery process in place.
- Assets were not always security marked.
- The voluntary fund had not been independently reviewed.
- Approved budget plan was submitted late.
- Budget £2k in deficit in 16/17 and expected to be in deficit by £147k in 17/18.
- Evidence of Governors approval of the pay awards was not available.
- Teachers’ payment awards were not on file.
- Payroll forms including starter and leaver forms were not on file.

Follow-up review

The follow up for this audit will take place within nine months.

Appendix 6 – Status of schools recommendations

Name of Audit (Schools)	Opinion	Final Report Date	Recs Overdue
Downderry Primary School 2017-18	Substantial	26/07/2017	1
Drumbeat Special School 16/17	Substantial	28/03/2017	7
Horniman's School 16-17	Satisfactory	01/06/2017	2
Lucas Vale 16-17	Limited	01/06/2017	2
Lucas Vale 16-18	Limited	02/06/2017	1
Marvels Lane 16-17	Satisfactory	17/03/2017	10
Our Lady and St Philip Neri RC School 2015-16	Satisfactory	04/02/2016	1
Rangefield Primary School 16-17	Satisfactory	06/02/2017	1
St Augustine's Catholic Primary School	Substantial	15/03/2017	2
St. Joseph's School 2016/17	Satisfactory	10/02/2017	1
Stillness Infants School 16-17	Substantial	14/03/2017	2
Torridon Junior School 16-17	Satisfactory	16/03/2017	6
Turham Primary 13-14	No Assurance	31/07/2013	6
Turnham Primary School 16-17	No Assurance	04/07/2017	27
Turnham School 13-14	No Assurance	31/07/2013	1
		TOTAL	70