



# AGENDA AUDIT PANEL

**Date: WEDNESDAY, 30 SEPTEMBER 2020 at 7.00 pm**

**Enquiries to: Sarah Assibey**  
**Telephone: 0208 314 8975 (direct line)**

## COUNCILLORS

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

## Independent Members

Carole Murray  
Ian Pleace  
Stephen Warren

**Members are summoned to attend this meeting**

**Kim Wright**  
**Chief Executive**  
**Lewisham Town Hall**  
**Catford**  
**London SE6 4RU**  
**Date: Tuesday 22 September 2020**



INVESTOR IN PEOPLE

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

## ORDER OF BUSINESS – PART 1 AGENDA

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# Agenda Item 1

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 1
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 30 September 2020

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

## 1 Personal interests

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

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

## 2 Disclosable pecuniary interests are defined by regulation as:-

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

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

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

### **(3) Other registerable interests**

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

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

### **(4) Non registerable interests**

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

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

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

## **(6) Sensitive information**

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

## **(7) Exempt categories**

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

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

# Agenda Item 2

AUDIT PANEL		
Report Title	MINUTES	
Key Decision		Item No. 2
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 30 September 2020

## Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 12 March 2020 be confirmed and signed.

# MINUTES OF THE AUDIT PANEL MEETING

Thursday 12 March 2020 at 7pm

Present: Councillor Rathbone (Chair), Councillor Mallory, Councillor Maslin, Councillor Wise and Ian Pleace, Carol Murray and Stephen Warren

Apologies: Councillor Penfold and Councillor Millbank

## 1. Declarations of Interest

Councillor Wise declared an interest as a Director of Lewisham Homes and a beneficiary of the Pension Fund. Councillor Mallory is also a beneficiary of the Pension Fund.

## 2. Minutes

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

Actions arising from the last meeting:

All actions arising from the last meeting are addressed in this meeting agenda. The Chief Finance Officer agreed to circulate information and updates on the transparency code, data breach and safeguarding.

## 3. External Audit Update

The external audit representatives presented two reports- the external audit plan and the audit progress report for 19/20.

The Plan in the report laid out key matters regarding the Council and the Pension Fund

The materiality for the Council and Pension Fund was also set out in the report. I was lower than the previous financial year for reasons that the regulator believes that anything higher than 1.5% for a Council of this size is too high, and not a reflection of any deterioration of the Council.

The Value for Money risks include budget management, medium term financial planning and cultural changes. 2019/2020 is the final year of the Value for Money work in its final form. The new code is currently before Parliament and will go into effect, if passed from April 2020. The next financial year would change the scope of the Value for Money work. The external audit representatives stated that the main changes will be that the scope would be wider, including the consideration of the financial sustainability arrangements and how well the Council is using its financial performance data to inform its decision making.

The Children and Young People directorate was highlighted in the report as at most risk and most likely to have the biggest impact on the Council's long term sustainability.

On the basis of the size of the Council and that there is no statutory requirement to deliver the final accounts reports by the end of July, reports should be ready by September.

Addressing the progress report, the last two areas reviewed of the 2018/19 account are the housing benefits return and the pensions return. Both were signed off by the November deadline and there were fewer issues to report than in previous years. The planning and interim work for 2019/20 is on track to be completed by the end of March. The work coded red in the report will be complete by June.

RESOLVED the report was noted.

#### **4. Oracle Cloud Update**

The Director of Financial Services presented this report. He stated the following:

Since go live of first phase, users have been working with the modules and the system has been supported. However, the scale of the changes, the number of modules implemented, the issues arising and the issues outstanding have been challenging for many in the Council and this has hindered progress towards making full use of the system in the ways expected. Change management is ongoing and further work is being done to achieve full benefits of the system.

Oracle Cloud is a Council wide integrated system means that there are many more users and this will increase once payroll and other HR modules go live in March 2020. Once it is operating in full, a fuller report will be produced for the Panel explaining all the features.

To help with practical use of the system, face to face training has been conducted and is ongoing. There are guides and videos that are continuously updated also, as well as drop in session. At some stage, budget holders will have the responsibility to own their budgets and signing them off, without the assistance of the finance team.

The move to Oracle Cloud provided an opportunity to make the coding upgrade on feeder systems a priority and to a large degree has been a significant success with upgrades to feeder files from. However there are unfortunately some feeder files where no progress has been made including Controcc for Children's Social Care. Until these files are upgraded there is the continued impact of maintaining two coding structures and all of the possibilities for confusion that this can cause. The Controcc system is expected to be updated in June 2020.

**Action: Officers to provide an update on feeder files progress- Controcc for CSC and Tribal.**

Modules i-Supplier, Advanced Financial Controls, Cash Manager have not yet been implemented and are on hold. The Advanced Financial Controls module has been demonstrated but has been on hold due to other priorities. It needs the input of officer time in order to properly understand the system and evaluate the reports and compare them to the existing system AP Forensics reports. Work on this has now resumed.

RESOLVED the report was noted.

## 5. Internal Audit

The Chief Finance Officer presented this report. He summarised the following:

The schools plan is near completion but the corporate plan is behind, however both should be completed by June 2020 for the annual assurance report. The progress made on recommendation has unfortunately not been sustained. The core financials are due to be completed during 19/20, so that going forward, the service can catch up, and start afresh for 20/21. Options on how to procure extra resources are under review but as ever financial constraints, given the market supply pressures, remain a challenge.

In regard to the progress of the schools internal audit plan, the need to continue to track the schools against recommendations has been discussed between the Executive Director of Educational Standards and the Chief Executive. It was agreed that they will continue to be under the review of Governors. The audits are being used and follow ups and progress checks will continue.

The COVID-19 virus threat is an issue as Audit is not a primary Council function so services may be hindered while the risk is ongoing. If audits cannot take place a hiatus may be required.

Resourcing for Internal Audit is still in progress. This is in addition to a lack of specialist auditors. Recruitment to the Head of Internal Audit post is underway but to date with limited success. More options are being requested from the recruitment team, including advertising

The Internal Control Board (ICB), had its last meeting in February. The chief executive agreed that it should be disbanded with the Executive Management Team owning responsibility for internal controls. The Panel discussed that it may be necessary for Members of the Board to undertake training to ensure they are able to sufficiently fulfil the role.

The Panel discussed the outstanding management actions.

**Action:** The higher risk long outstanding recommendations over 12 months are reported on with management's observations on their plans for implementation going forward.

RESOLVED the report was noted.

## 6. Risk Register

The Chief Finance Officer presented this report.

To identify risk and create the risk register, each service identified their key 5 risks and divided into the categories set out in the report.

The register allows for risk management as the Executive Directors have to account for it through quarterly DMT and EMT meetings. The register is produced anticipating 12-18 months ahead so enables risk management in advance of issue arising.

The Chair suggested that the best approach to the Risk Register is for the Panel to select one or two of the items to interrogate in more detail.

**Action:** in addition to the Risk Register report, officers should provide information on how risk is being managed on two items; cyber security breaches and ICT infrastructure for the next meeting.

RESOLVED the report was noted

The meeting finished at 8.40pm



## Audit Panel

### Report title: Proposed Internal Audit Plan and Charter for 2020-21

**Date:** 30 September 2020

**Key decision:** No.

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Director of Corporate Resources

### Outline and recommendations

This report presents members of the Audit Panel with:

- The proposed plan of internal audit work for 2020/21 (Appendix 1),
- The Internal Audit Charter for 2020/21 (Appendix 2)

Members are asked to approve the appendices to this report.

## Summary

### Background

- 1.1. The Public Sector Internal Audit Standards (PSIAS) require annual planning of internal audit work to support the Council from an objective assessment of the arrangements for governance, risk management and internal control. This report describes the approach to developing internal audit work for the last seven months of 2020/21 and sets out the proposed internal audit plan at **Appendix 1**. An internal audit charter is presented at **Appendix 2**, which sets out the framework for the conduct of internal audit services.

### Key Issues

- 1.2. The internal audit plan has been developed using a risk-based approach and consists of 504 days, including 484 days for corporate audit and 20 days for follow-up reviews. These days are allocated across 39 audits, covering each of the Council's main directorates. There are no school audits planned, given that schools have not been operating under normal arrangements due to the Covid-19 pandemic. The proposed plan is presented in Appendix 1.

- 1.3. The proposed audit plan for 2020/21 covers the last seven months of the year because the impact of Covid-19 resulted in cessation of all audit work between April and June 2020 as the team was redeployed to front line critical services. July and August closed out all of the 2019/20 audits.
- 1.4. PSIAS require that an internal audit charter is approved annually, to formally establish the purpose, authority and responsibility of internal audit. This is presented in Appendix 2

## **2. Recommendations**

- 2.1. It is recommended that the Audit Panel approve the content of **Appendix 1** to this report, which sets out the proposed internal audit plan for the last seven months of 2020/21.
- 2.2. It is recommended that the Audit Panel note the content of the Internal Audit Charter for 2020/21.

## **3. Financial implications**

- 3.1. There are no new financial implications arising directly from this report. Due to the cessation of audit work at the end of the 2019/20, the service was able to carry forward £47k of budget to ensure that sufficient resources were available for 2020/21. There is a further minor overspend in year of £27k forecast in July 2020 which reflects the acceleration of resource required to deliver the proposed work plan within the seven remaining months in the year. Management action to recover this as delivery of the plan progresses will be taken where possible to stay within budget.

## **4. Legal implications**

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

## **5. Equalities implications**

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

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

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

## **7. Crime and disorder implications**

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

## **8. Health and wellbeing implications**

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

## **9. Background papers**

- 9.1. There are no background papers.

## 10. Glossary

<b>Term</b>	<b>Definition</b>
Assurance Opinion	An independent assessment on the controls in place.
Recommendation	A suggestion made by Internal Audit on how to improve governance, risk management or internal control arrangements.
Management Action	The actions that management have agreed to undertake to implement the recommendation made by Internal Audit.
Control	A process that is in place to prevent or reduce the risk from occurring.

## 11. Report author and contact

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



## Proposed Internal Audit Plan and Internal Audit Charter 2020-21

### 1. Executive Summary

- 1.1. This report presents proposals for internal audit work for 2020/21. The impact of Covid-19 meant that all internal audit work ceased between April and June 2020 as the team were redeployed under the volunteering scheme to front line critical services. When audit services resumed in July 2020 all effort was focused on the completion of the 2019/20 work plan. Therefore the audit plan for 2020-21 covers the last 7 months of the year and consists of 504 days. This will provide 484 days of corporate audit, including 75 days of bought-in service to cover specialist review, and 20 days for follow-ups.
- 1.2. Recruitment to Head of Internal Audit post is not yet complete, but an interim Head has been seconded to the role from PricewaterhouseCoopers (PWC) until 31 March 2021.

### 2. Background

- 2.1. Internal Audit is a statutory service, which aims to provide independent assurance to the Audit Panel, Chief Finance Officer, Executive Management Team and other senior managers that an appropriate system of governance and internal control is in place to mitigate key risks that may impact on the achievement of the Council's services and priorities. Internal Audit work is planned to support the goals of the Council from an objective assessment of the system of internal controls.
- 2.2. Whilst it is management's responsibility to develop and maintain a sound system of internal control, and to prevent and detect irregularities, the overall aim of internal audit work is to seek out areas requiring improvement and recommend solutions that will enable the Council to better achieve its objectives. Therefore, the planning approach is based on achieving coverage over a reasonable period of time, of the Council's main risks and core processes where there is a reasonable expectation of detecting significant control weakness and fraud.
- 2.3. This report summarises the methodology by which the programme of audit work has been identified and sets out the proposed audits for the remainder of 2020/21. As set out above, during the period April – June 2020 all internal audit work was paused whilst the team was redeployed under the volunteering scheme to business critical front line services. When the service re-commenced in July 2020 the priority was the completion of the outstanding 2019/20 audits during the months of July and August. This has meant that the 2020/21 audit plan will be delivered over the remaining seven months of the year. This possibility was raised and discussed at the Audit Panel meeting in February 2020 as a national pandemic lockdown appeared increasingly likely.

#### ***Approach to developing the internal audit plan***

- 2.4. To ensure objective coverage of the control framework, the internal audit plan has been developed in line with best practice using a 'risk-based' approach. The Strategic Risk Register has been reviewed to ascertain the Council's key risks which have been mapped against 'auditable units' related to the Council's objectives.
- 2.5. Auditable units are the lowest level of auditable subject area, process or location within directorates and across the organisation. They have been identified to enable evaluation of the adequacy and effectiveness of controls to mitigate the inherent risks within the organisation's governance, operations and information systems for:

## Appendix 1

- Achievement of strategic and operational objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of resources; and
- Compliance with laws, regulations, policies, procedures and contracts.

2.6. Internal audit have then sought to assess the audit requirement within each auditable unit, taking into consideration the timing and findings of previous audit work and other known sources of assurance, along with the occurrence or likelihood of change.

2.7. The Council has undergone significant change in response to Covid-19, in terms of both its internal operation and approaches to service delivery. This has been reflected in the latest review of the Council's risk register and therefore been considered in the development of the audit plan. Given the ongoing nature of the pandemic and the likelihood of a second wave during this financial year the plan may require amendment or review.

### ***Audit Delivery approach***

2.8. Internal audit work to achieve the plan will be undertaken to evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach. This activity assists the organisation to maintain effective controls by providing an assurance assessment on their adequacy and effectiveness and by promoting continuous improvement. The assurance assessment assigns an objective overall opinion to each audited area, based on the number and risk profile of findings identified, in terms of one of four categories of assurance: Substantial, Satisfactory, Limited, No Assurance.

2.9. It is proposed that the audit service will be delivered by an in-house team of auditors, complemented by technical support for IT assurance from PwC, and led by a seconded Head of Internal Audit from PwC. It is envisaged that this arrangement will continue until the team has stabilised and recruitment of a permanent Head of Internal Audit can be undertaken.

2.10. The principles underpinning the Council's internal audit approach, including requirements of management to facilitate audit work, have been set out in an Internal Audit Charter. The PSIAS require that the charter should be published and approved annually to formally establish the purpose, authority and responsibilities of Internal Audit. The internal audit charter for Lewisham Council is presented in **Annex 2**.

2.11. Delivery of the audit plan will be undertaken to meet standards for efficiency and quality, aiming to meet key performance indicators and targets as follows:

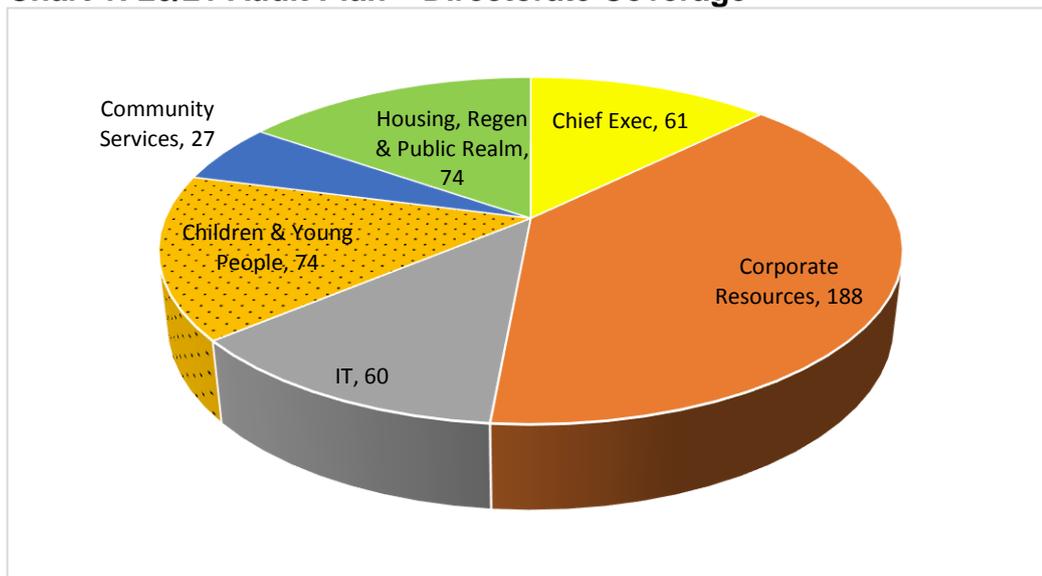
- draft audit reports to be issued within 20 working days of the completion of audit fieldwork;
- final audit reports issued within 10 working days of receiving management agreement to the draft audit report and action plans;
- 90% of the audit plan to be delivered to draft report stage by 31 March; and
- 80% of client satisfaction surveys score a high level of satisfaction with the audit work.

## **3. Proposed Audit Plan for 2020/21**

3.1. Following the approach set out above, an audit plan for 2020/21 has been developed, focusing on the most significant risk areas across the Council. This is provided at **Annex 1**, which shows the proposed scope for each area and link to relevant risks, along with the estimated requirement of audit days and preferred timing.

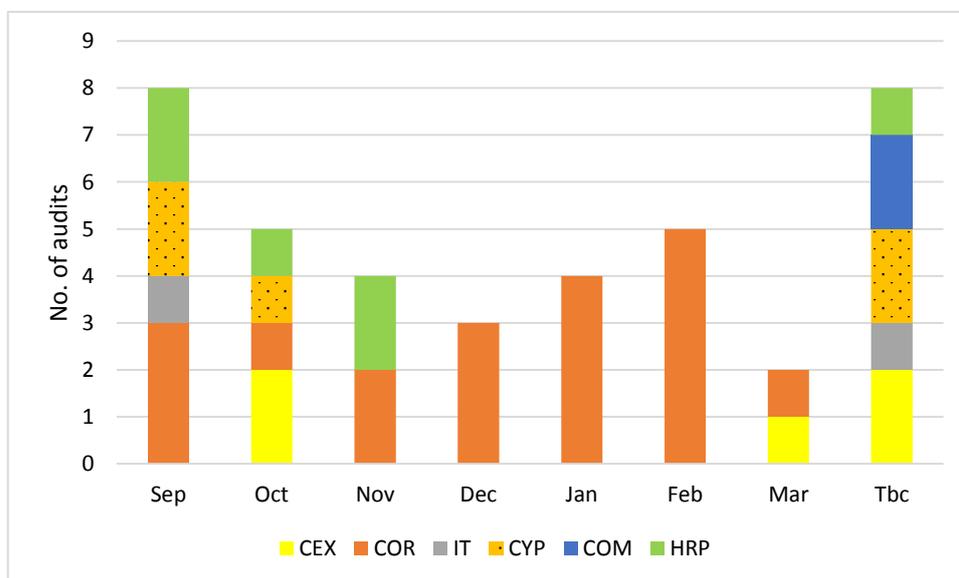
3.2. The following chart analyses the audit days required to deliver the proposed Internal Audit plan, which shows coverage of directorates.

**Chart 1: 20/21 Audit Plan – Directorate Coverage**



3.3. It is estimated that the audit assurance for 2020/21 can be delivered with 484 audit delivery days. With the exception of the IT audit requirement and a small element of core audit work which will be resourced externally, sufficient resources to complete this plan are present with a full complement of the in-house team. There are currently 39 corporate audits identified to be conducted. However, there will be more when the IT plan is finalised following a needs analysis. Analysis of the proposed timing for audit start dates is set out in the following chart. It should be noted that there are eight audits (142 days) for which start dates still need to be scheduled.

**Chart 2: Analysis of preferred timing for audit start**



3.4. Follow up work will be undertaken throughout the year to track managers' progress with the implementation of internal audit recommendations.

3.5. The audit plan has been shared with senior management and needs to be flexible to enable a responsive service in the face of changing risks and priorities that may impact upon the Council's services. Therefore, it should be recognised that the plan may need to be adjusted in response to changes in the Council's business, risks, operations, systems and controls as the year progresses. Where such changes are required, details will be reported to EMT and the Audit Panel.

## Appendix 1

There are no school audits identified, as the assurance for this risk area has been deferred given that schools have not been operating under normal arrangements due to the Covid-19 pandemic and Internal Audit resources were redeployed across the Council until August 2020.

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

Christine Webster, Interim Head of Internal audit, on telephone number 020 8314 6157, mobile 07590 351977 or email at: [christine.webster@lewisham.gov.uk](mailto:christine.webster@lewisham.gov.uk)

## Annex 1 – Proposed Internal Audit Plan for 2020/21

Audit Name	Scope	Link to Risk	Timing Preference	Audit Days
<b>Chief Executives (CEX)</b>				
<b>HR Policies</b>	To review the HR policies that form the basis of staff guidance.	Strategic risk 2A.3 - Strategic programme to develop and implement transformation change does not deliver (Red)	Oct 20	12
<b>Transition Plans</b>	To review the process of completing and monitoring of the new type of service plans.	Strategic risk 2A.3 - Strategic programme to develop and implement transformation change does not deliver (Red)	Tbc	12
<b>Supporting Families Programme Grant Certification 20-21</b>	To verify a sample of claims in line with MCLGCH guidelines		Mar 21	10
<b>Consultation Process</b>	To review Council's process on conducting public consultations	Strategic risk 2A.3 - Non-delivery of transformational change (Red)	Tbc	12
<b>Covid Governance</b>	To review arrangements for decision making during the Covid-19 pandemic and subsequent changes	Strategic risk 1A.2 - Governance (opportunities and threats) in the implementation of service changes (Amber)	Oct/Nov 20	15
<b>Corporate Resources (COR)</b>				
<b>Tendering and Procurement of Contracts</b>	To review the tendering process, guidance, and procurement of contracts	Strategic risk 4A.1 - Failure to manage strategic suppliers and related procurement programmes (Amber)	Oct 20	15
<b>2020/21-01 - Accounts Payable 20-21</b>	Review of key controls for new suppliers and bank amendments, payments processing and reconciliations	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Dec 20	8
<b>Accounts Receivable and Debt Recovery 20-21</b>	Review of key controls for raising and processing invoices, debt recovery and reconciliations as well as follow-up of 2019/20 audit actions.	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red) Strategic risk 5A.2 - Loss of Income to the Council – Failure to collect debt (Amber)	Jan 21	12

## Annex 1 – Proposed Internal Audit Plan for 2020/21

Audit Name	Scope	Link to Risk	Timing Preference	Audit Days
<b>Asset Management 20-21</b>	Review of key controls for maintaining the asset register, acquisitions and disposals and reconciliations	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Nov 20	8
<b>Banking 20-21</b>	Full audit of transaction processing, banking, cash security and reconciliations	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Nov 20	10
<b>Budget Monitoring 20-21</b>	Focus on monitoring of budgets with significant overspends in 19/20, with testing of managers' processes for keeping control of budgets, including monitoring at directorate level and service level and reporting to members.	Strategic risk 5A.1 - Financial Failure and inability to maintain service delivery within a balanced budget (Amber)	Feb 21	10
<b>Business Rates 20-21</b>	Review of key controls for billing, collection and recovery action and reconciliations.	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Feb 21	6
<b>Client Contribution for Care Provision 20-21</b>	Follow-up review of action plan following 2019/20 Limited assurance audit	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Feb 21	10
<b>Council Tax 20-21</b>	Review of key controls for billing, collection and recovery action and reconciliations.	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Jan 21	6
<b>Housing Benefit and Council Tax Reduction Scheme (CTRS) 20-21</b>	Review of key controls for applications and assessments, processing of housing benefit payments, changes in circumstances and reconciliations.	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Dec 20	6
<b>Main Accounting 20-21</b>	Review of key controls for interface reconciliations, suspense and control accounts, bank reconciliations and journals	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Dec 20	8
<b>Payroll 20-21</b>	Review of key controls relating to starters, leavers, changes, deductions, payroll processing and reconciliations.	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Feb 21	8
<b>Pensions 20-21</b>	Review of key controls for administering pensions including processing pension payments, collecting and recording contributions, and reconciliation of pension records against income and expenditure.	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Feb 21	8
<b>Treasury Management 20-21</b>	Review of key controls for processing treasury transactions (investments and borrowing), CHAPs payments and reconciliations.	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Jan 21	7

## Annex 1 – Proposed Internal Audit Plan for 2020/21

Audit Name	Scope	Link to Risk	Timing Preference	Audit Days
<b>VAT</b>	To review the claiming and charging of VAT	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Jan 21	15
<b>Relief and Support Allocation - Covid 19</b>	To review the framework on how the council distributed the funds / grants in relation to COVID 19 to businesses and Council tax. To include a review of any policies created and how returns are collated and reported to MHCLG. To include; B/rates, council tax, and any hardship funds.	Covid Pandemic	Sep 20	12
<b>School Finance</b>	To review the corporate processes for allocation of DSG (Dedicated School Grants), collating and submitting statutory returns and budget monitoring for schools.	Strategic risk 5A.1 - Financial Failure and inability to maintain service delivery within a balanced budget (Amber)	Sept 20	12
<b>Risk Management Framework</b>	To review the risk management process to see if adheres to best practice.		Sept 20	12
<b>Leisure management</b>	To review open book arrangements set up to oversee management of the GLL contract	Strategic risk 4B.1 - Failure to manage performance leads to service failure (Amber).	Mar 21	15
<b>IT Service</b>				
<b>IT Audit Needs Assessment</b>	To perform an audit needs assessment on the Shared Service and Lewisham Council.	Strategic risk 2B.2- Cyber Security breaches corrupt or locks down Council systems or data. (Red)	Sept 20	10
<b>IT audits to be confirmed</b>	Based on the outcome of the audit needs assessment, review of IT risk areas will be undertaken. Possible options included Smart tech roll-out project, Liquid Logic/Controcc upgrade, Oracle HR/Payroll post implementation security, Office 365 and SharePoint online, Payment Card Industry data security standard compliance.	Strategic risk 2B.1 - ICT not fit for purpose/does not meet business needs (Amber) Strategic risk 2B.2- Cyber Security breaches corrupt or locks down Council systems or data. (Red)	Oct 20 – Mar 21	50
<b>Children and Young People (CYP)</b>				
<b>Payments to Childcare Providers and Foster Carers for Looked After Children - 20-21</b>	Review of payments to foster carers and childcare providers, to ensure that payments are made on time and only for services provided.	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Tbc	15

## Annex 1 – Proposed Internal Audit Plan for 2020/21

Audit Name	Scope	Link to Risk	Timing Preference	Audit Days
<b>Children Social Care (CSC) Improvement Programme Progress</b>	To review the CSC progress on the OFSTED inspection programme.	Strategic Risk 2A.2 - Failure in child safeguarding (Red) Strategic risk 4B.1 - Failure to manage performance leads to service failure (Amber).	Oct 20	15
<b>Early Help Service Transformation</b>	To review the Early Help Service transformation.	Strategic Risk 2A.2 - Failure in child safeguarding (Red)	Tbc	14
<b>Contract Management Audits</b>	To review the contract management for at least two contracts. Areas to be confirmed.	Strategic risk 4A.1 - Failure to manage strategic suppliers and related procurement programmes (Amber)	Sep 20	20
<b>Schools Websites</b>	To review school websites to confirm compliance with statutory requirements.	Strategic risk 1B.2 - Respond to legislative change	Sep 20	10
<b>Community Services (COM)</b>				
<b>Arranging Care Team</b>	To review the processes undertaken by the new team for arranging adult care	Strategic Risk 2A.5 - Serious Adult Safeguarding Concerns (Red)	Tbc	15
<b>MASH - Adults</b>	To review the structure and governance arrangements and information sharing protocols in the newly formed adult Multi-Agency Safeguarding Hub team.	Strategic Risk 2A.5 - Serious Adult Safeguarding Concerns (Red) Strategic Risk 3B.1 - Multi-agency governance leads to ineffective partnership working (Amber) Strategic Risk 3B.2 - Failure to agree with partners integrated delivery models for local health and care services (Amber)	Tbc	12
<b>Housing, Regeneration and Public Realm (HRP)</b>				
<b>Capital Expenditure 20-21</b>	Review of monitoring and reporting of capital expenditure, covering reporting on progress against milestones, objectives and financial forecast, including variations.	Strategic risk 2A.1 - Adequacy of Internal Control Framework (Red)	Nov 20	8

## Annex 1 – Proposed Internal Audit Plan for 2020/21

Audit Name	Scope	Link to Risk	Timing Preference	Audit Days
<b>Rough Sleeping Initiative Funding</b>	To review the framework on how the council has used the funding, including any grant / funding conditions.	Covid pandemic	Nov 20	12
<b>Section 17 (Refugee Programme)</b>	To review the process of referrals for section 17 relating to refugees, including management of overspend.			12
<b>Private Sector Housing Agency</b>	To review the framework around Private Sector Housing Agency.	Strategic risk 4B.1 - Failure to manage performance leads to service failure (Amber).	Oct 20	15
<b>Building for Lewisham</b>	To review the programme / project management for Building for Lewisham.	Strategic risk 5A.1 - Financial Failure and inability to maintain service delivery within a balanced budget (Amber)	Sep 20	15
<b>COVID-19: Death management and Registration Services</b>	To review the guidance on death management services during Covid 19 including: registrars and issuing of certificates remotely / digitally, moving, storage and disposal of the deceased.	Covid pandemic	Sep 20	12

# London Borough of Lewisham Internal Audit Charter 2020/21

## 1. Introduction

This Charter provides the framework for the conduct of internal audit activities in the London Borough of Lewisham. It sets out the purpose, authority and responsibilities of the Council's service.

The Chartered Institute of Public Finance and Accountancy has adopted the Public Sector Internal Audit Standards (PSIAS) since 1 April 2013. These apply to all internal audit service providers, whether in-house or contracted partners.

## 2. Purpose

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 3. Scope

All of Lewisham Council's activities (including outsourced activities and shared service arrangements) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach, but this does not necessarily cover all potential scope areas every year. The audit programme includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls. Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit Panel, senior management and regulators.

Notwithstanding Internal Audit's responsibilities to be alert to indicators of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity will not undertake specific fraud-related work. Such work is carried out by the Council's Anti-Fraud & Corruption team.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of effort.

## 4. Authority

The Council is required under the Accounts and Audit Regulations 2015 (Regulation 5) to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance. The Internal Audit function of the Lewisham Council derives its authority from the Board through the Audit Panel. The Chief Audit Executive is authorised by the Audit Panel and the Council's Financial Regulations (which are part of the Constitution) to have full and complete access to any of the organisation's records, properties and personnel. The Chief Audit Executive is also authorised to designate members of Internal Audit staff to have such full and complete access in the discharging of their responsibilities and may engage experts to perform certain engagements, which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities.

## 5. Responsibilities

The Chief Audit Executive is responsible for preparing the annual audit plan in consultation with the Audit Panel and senior management, submitting the audit plan, internal audit budget, and resource plan for review and approval by the Audit Panel, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Audit Panel and senior management.

The Chief Audit Executive is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Audit Panel should make appropriate enquiries of senior management and the Chief Audit Executive to determine whether there are any inappropriate scope or resource limitations.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programmes, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

## **6. Independence**

Internal Audit staff will remain independent of the business and they shall report to the Chief Audit Executive who, in turn, shall report functionally to the Audit Panel and administratively to the Director of Corporate Resources.

Internal Audit staff shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Chief Audit Executive as soon as these issues become apparent so that appropriate safeguards can be put in place.

For the period from 1 April until August 2020, the Chief Audit Executive had other operational activities that were not related to internal audit. To mitigate potential conflicts to independence over this period, the Chief Audit Executive delegated the responsibility for agreeing the scope of audit work relating to these activities to the operational manager, with the Internal Audit Manager overseeing the audit work and reporting to the Chief Financial Officer. From August 2020 onwards, the Chief Audit Executive will have no direct operational responsibility for any of the Council's activities.

## **7. Professional competence and due care**

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal Auditors. Internal Audit will also adhere to the requirements of the PSIAS. In particular, the Internal Audit service is bound by the two essential components of the Code of Ethics: Principle and Rules of Conduct, applicable to the four elements of integrity, objectivity, confidentiality and competency.

## **8. Monitoring and reporting**

At the end of each audit, the Chief Audit Executive or designee will prepare a written report and distribute it as appropriate. Internal Audit will be responsible for appropriate follow-up of audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the Chief Audit Executive on behalf of the Audit Panel. The Audit Panel will be updated regularly on the work of Internal Audit through periodic and annual reports. The Chief Audit Executive shall prepare reports of audit activities with significant findings along with any relevant recommendations and provide periodic information on the status of the annual audit plan.

Where necessary, the Chief Audit Executive will meet with the Chair of the Audit Panel in private to discuss internal audit matters.

The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme, the results of which will be reported periodically to senior management and the Audit Panel.

## **9. Other internal audit work**

Internal Audit may perform consulting and advisory services related to governance, risk management and controls as appropriate for the Council. Internal Audit may also evaluate specific operations at the request of senior management. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to senior management.

Internal Audit will be informed of major projects and their progress through continued discussion with management and attendance at project working groups, where invited to attend. Where a project team seeks advice or further support from Internal Audit, the request will be treated as one for consultancy support and make appropriate arrangements to ensure future objectivity is not impaired.

Internal Audit may carry out assurance work for third parties (i.e. organisations outside of the Council). Assurances provided to third parties are provided in line with the assurance standards provided to the Council, as described within this document.

The Internal Audit service is guided by the Institute of Internal Auditors' position paper on *The Role of Internal Auditing in Enterprise-Wide Risk Management* and therefore Internal Audit will not undertake any roles defined as inappropriate by that guidance. Inappropriate roles include setting the Council's risk appetite, imposing a risk management process and taking on full accountability for risk management. Internal Audit work is largely limited to supporting working groups throughout the Council and facilitating the identification and evaluation of risks.

## 10. Quality assurance

Internal Audit activity will adhere to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics and the International Professional Practices Framework. This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of internal audit performance to ensure that engagements are performed with proficiency and due professional care. In addition, Internal Audit will adhere to the Council's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

All Internal Audit staff will be trained to fulfil their roles and responsibilities and will each maintain their professional competence through an appropriate ongoing professional development programme. When necessary, in-house Internal Audit resources will be supplemented by external resources.

The Internal Audit service maintains a Quality Assurance and Improvement Programme (QAIP) designed to gain assurance that the work of Internal Audit is compliant with the PSIAS and achieves its objectives. The results of the QAIP and progress against any improvement plans will be reported to senior management and the Audit Panel.

To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics and the PSIAS, the results of internal and periodic external assessments are communicated upon their completion and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

## 11. Definitions

The PSIAS require the Internal Audit Charter to define the terms 'Board' and 'senior management' for the purposes of internal audit activity:

**Board:** *The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. This body is charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.* Throughout this document, the term 'Board' refers to the Full Council.

**Senior management:** *The individuals at the highest level of organisational management who have day-to-day responsibility for managing the organisation.* Throughout this document, the term 'senior management' refers to the Executive Management Team.

**Chief Audit Executive:** *Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity.* This role is fulfilled by the Head of Internal Audit, who is currently Christine Webster, seconded from PricewaterhouseCoopers LLP.



## Audit Panel

### Report title: Internal Audit Update and Annual Assurance Report 2019/20

**Date:** 30 September 2020

**Key decision:** No.

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Director of Corporate Resources

### Outline and recommendations

This report presents members of the Audit Panel with:

- An update on internal audit activity and an assurance opinion for 2019/20 (Appendix 1)

Members are asked to note the report.

## Summary

### Background

- 1.1. The Council's Head of Internal Audit is required to present regular updates on internal audit activity and an annual assurance report to the Audit Panel. This report informs the Annual Governance Statement (AGS).

### Introduction

- 1.2. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for 2019/20. The opinion is based upon and limited to the work performed during the year.

### Opinion

- 1.3. The opinion of the Director of Corporate Resources on the overall adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control during 2019/20 is **Satisfactory**, for both corporate services and schools.

## Qualifications to the opinion

### 1.4. Qualifications to the opinion are:

- Internal audit resources - vacancies experienced by both the contractor and in-house team impacted the delivery of the audit plan which was reduced by nine audits in year from the original plan;
- Through part of the year, the Head of Internal Audit also had wider finance management responsibilities raising the risk of possible conflicts of interest, for which compensating governance arrangements were adopted; and
- Due to the impact of Covid-19 in March 2020 and the Council's priority to delivery critical frontline services, there was an impact on managing and closing out some of the planned audits in the period, as it affected the availability of audit stakeholders and also led to the redeployment of Internal Audit staff to assist in delivering these services. Four additional audits were cancelled, and assurances for two audits could not be completed as sufficient evidence could not be provided to enable testing of effectiveness. Therefore, it should be noted that our opinion is subject to the identification of issues that could arise from the emergency response to the pandemic.

## Summary of work assurance work completed, from which the opinion is derived

- 1.5. The internal audit plan for 2019-20 initially had 69 assignments (45 corporate and 24 schools reviews), including follow-up reviews. By the end of the year, the corporate plan had reduced to 56 pieces of work (32 corporate & 24 Schools). Nine of these changes were reported to the Audit Panel during the course of the year.

## Issues relating to the Annual Governance Statement

- 1.6. From the recommendations made in 2019/20, the common or more significant areas noted for improvement were: procedures, compliance, governance and reconciliations. In addition; for the AGS the risks in respect of accounts receivable and client contributions towards residential and domiciliary care remain areas of focus for improvement.

## Statement of compliance with the PSIAS

- 1.7. The annual self-assessment of the compliance to the PSIAS, confirms that the service continues to meet the standards. However, the Head of Internal Audit has acted as the Council's s151 officer during the period. Compensating controls were put in place, and an independent Head of Internal Audit has been seconded from PricewaterhouseCoopers to address the potential conflict until an employee can be recruited.

## Quality Improvement Plan (QIP) for Internal Audit

- 1.8. The team will continue to build testing programmes on the audit management software.

## Anti-Fraud and Corruption Team (AFACT)

- 1.9. The AFACT team's work in 2019/20 focused on the risks of housing and contract fraud as well as supporting recruitment checks. The team has also concluded a number of employee-related investigations.

## Risk Management

- 1.10. The risk management strategy (adopted by the Audit Panel in 2017/18) remains current and is due for review/refresh in 2020. The reporting of risk is aligned from service plans, through Directorate risk registers, to the Strategic risk register. Risks are aligned to the corporate priorities. Risks were reviewed quarterly by the Executive Management Team and Internal Control Board. Their reporting to members has been reviewed as part of a whole revamp of performance reporting aligned to the new corporate strategy and reporting to the Audit Panel will commence in 2020. Risks registers are also reviewed by internal audit to inform their plans.

## Other sources of assurance

- 1.11. During 2019/20, the Council gained independent assurance from other sources including: Ofsted children's services review (Requires Improvement), CQC enablement service inspection and legal services accreditation to professional standards.

## Role of the Head of Internal Audit

- 1.12. The annual review of the Head of Internal Audit concluded that all of the above principles were met.
- 1.13. Separately the Redmond review available at ([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/916217/Redmond\\_Review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf)) has recently been published with recommendations to improve the working between external and internal audit. Officers will consider the recommendations and produce a summary for the next Audit Panel meeting.
- 1.14. Officers are also mindful that, with the focus on critical services in response to the Covid pandemic, the work to progress the agreed revision of the terms of reference for the Panel in the Constitution and for it to become an Audit Committee in line with recommended CIPFA good practice has been paused. Officers, working with colleagues in legal services, will look to progress this as soon as possible as the Council recovers to business as usual.

## 2. Recommendations

- 2.1. It is recommended that the Audit Panel note the content of **Appendix 1** to this report.

## 3. Financial implications

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

## 4. Legal implications

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

## 5. Equalities implications

5.1. There are no equalities implications arising directly from this report

## 6. Climate change and environmental implications

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

## 7. Crime and disorder implications

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

## 8. Health and wellbeing implications

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

## 9. Background papers

9.1. There are no background papers.

## 10. Glossary

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

## 11. Report author and contact

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

## Internal Audit - Annual Assurance Report 2019/20

### 1. Executive Summary

- 1.1. This report outlines work that has been carried out for the year ended 31 March 2020, which supports the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for 2019/20.
- 1.2. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed during the year. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Panel, which is designed to provide a reasonable level of assurance, subject to the inherent limitations described below and set out in **Annex 7**. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.3. Internal audit work was performed in accordance with the Council's methodology, which conforms to the PSIAS. The Head of Internal Audit for 2019/20 was the Interim Chief Finance Officer, with operational responsibility for the in-house Anti-Fraud and Corruption Team (A-FACT), Insurance and Risk Management, Corporate Health & Safety, Commercial and Procurement Support, Strategic Finance, Pension Fund, and Treasury Management and line management of the Financial Services, Public Services and IT & Digital Directors. Any potential conflicts of independence, which could have arisen due to operational responsibilities, were mitigated throughout the period as set out in the Internal Audit Plan. Therefore, Internal Audit has been organisationally independent of the services under review, which has facilitated unlimited scoping and objectivity of audit activities. The performance of the Service against key indicators is summarised in **Annex 5**.
- 1.4. Due to the impact of Covid-19 in March 2020 and the Council's priority to delivery critical frontline services, there was an impact on managing and closing out some of the planned audits in the period, as it affected the availability of audit stakeholders and also led to the redeployment of Internal Audit staff to assist in delivering these services. This was compounded by delays due to resource constraints experienced earlier in the year, which resulted in scheduling of audits in the last quarter. Therefore, a number of reviews scheduled to be finalised by 31 March 2020 were not completed until the second quarter of 2020/21 and some audit work was cancelled.
- 1.5. The annual Internal Audit report is timed to inform the organisation's Annual Governance Statement.

#### Head of Internal Audit's opinion

- 1.6. Internal Audit is satisfied that sufficient internal audit work has been undertaken, albeit on a reduced audit plan, to support an opinion about the adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control (i.e. the system of internal control).
- 1.7. Definitions of the range of opinions that could be given are provided in **Annex 1**.
- 1.8. The Head of Internal Audit's opinion is that the system of internal control for 2019/20 is:

<b>Satisfactory</b>
<i>"I have considered all of the work undertaken and reported on by the Internal Audit Service, Anti-Fraud and Corruption Team, Risk Management and other sources of assurance available to the Council for the audit year 2019/20. I have also sought the views of the Internal Audit Manager given the potential conflicts from my wider management responsibilities during the year."</i>

Satisfactory
<ol style="list-style-type: none"><li>1. <i>In my opinion, ‘Satisfactory’ assurance can be placed on the adequacy and effectiveness of the Council’s corporate internal control framework. In addition, ‘Satisfactory’ assurance can be placed on the Schools internal control framework.</i></li><li>2. <i>This opinion is expressed using the same scale used for internal audit report opinions. The scale ranges from Substantial to Satisfactory, through to Limited and No Assurance. Definitions are provided at <b>Annex 1</b>.</i></li><li>3. <i>Whilst governance, risk management and control in relation to business critical areas is generally satisfactory, there are some areas of weakness and non-compliance in the framework of internal control which potentially put the achievement of objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of the system of internal control. In particular:</i><ul style="list-style-type: none"><li>• <i>We have identified a number of high and medium-rated weaknesses in individual assignments which we believe are not significant in aggregate to the overall quality of the internal control system. None of our assignments identified weaknesses that were assessed as critical risk; and</i></li><li>• <i>None of our assignments provided ‘No Assurance’. In our view, the weaknesses identified in Limited assurance reports are isolated to the specific systems or processes reviewed.</i></li><li>• <i>On 23 March 2020, the UK was put into lockdown in response to the Covid-19 pandemic. The impact of the pandemic on all organisations has been significant and, for many, its full extent has not yet been determined. Assurances for two audits could not be assessed as sufficient evidence could not be provided to enable testing of effectiveness. As such our opinion is subject to the identification of issues that could arise from the emergency response to the pandemic.</i></li></ul></li><li>4. <i>There has been limited success in the implementation rate for management actions that have been agreed as a result of internal audit work. The outcome of follow-up work shows that 64% of agreed actions have been fully implemented. This remains an area of concern, which will be addressed during 2020/21.”</i></li></ol> <p>Further details are provided in Section 2: Basis of the Audit Opinion.</p>

## 2. Basis of the Audit Opinion

2.1. In determining the overall opinion for 2019/20, consideration has been given to a number of key improvements to governance arrangements that have been identified by audit work, as well as the regular review of sources of assurance by the Executive Management Team. However, the opinion is based on the following:

### Assurances and risk profiles from all audits undertaken during the year

2.2. An Internal Audit Plan identifying 69 assignments (32 corporate, 24 schools, 1 grant certification and 12 follow-ups) for 2019/20 was approved by the Audit Panel in September 2019. This was designed to focus on key risks facing the Council and was updated throughout the year to ensure that Internal Audit continued to focus on key risks. However, there were nine audits and four follow up cancelled or deferred. These changes are summarised in Annex 3. None of the cancelled/deferred reviews related to core financial audits.

## Appendix 1

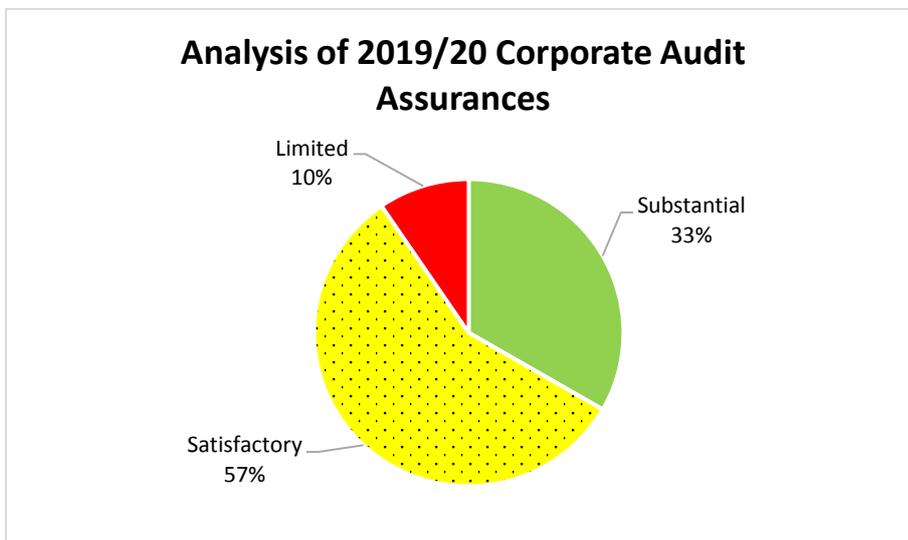
2.3. Therefore, the annual opinion is based on 56 reviews, of which 45 (23\* corporate and 24 school) assessed the level of control in terms of an overall assurance opinion. The remaining assignments were not assessed as it was not appropriate to provide an audit opinion due to the type of review (for example grant certification or follow-up review).

\*Of the 23 corporate reviews, there were two where testing of effectiveness was not undertaken in full and therefore no opinion could be provided.

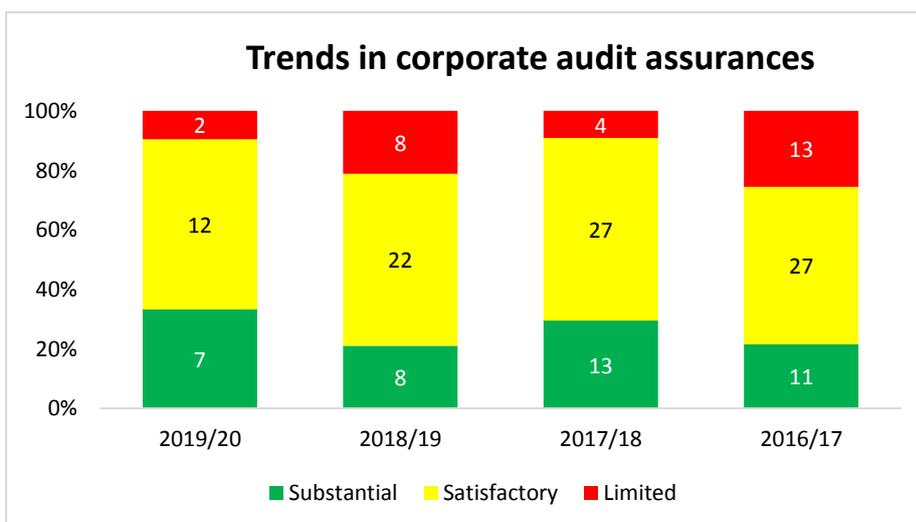
2.4. Final reports have been issued for 100% of completed reviews. Details of all assignments undertaken during the year are provided in Annex 2.

### Corporate audits

2.5. Overall, positive assurances (Substantial and Satisfactory opinions) were provided for 90% of corporate (non-school) audits, and negative assurances (Limited and No Assurance opinions) were provided for 10%. The chart below summarises the assurances provided for corporate audits undertaken in 2019/20.



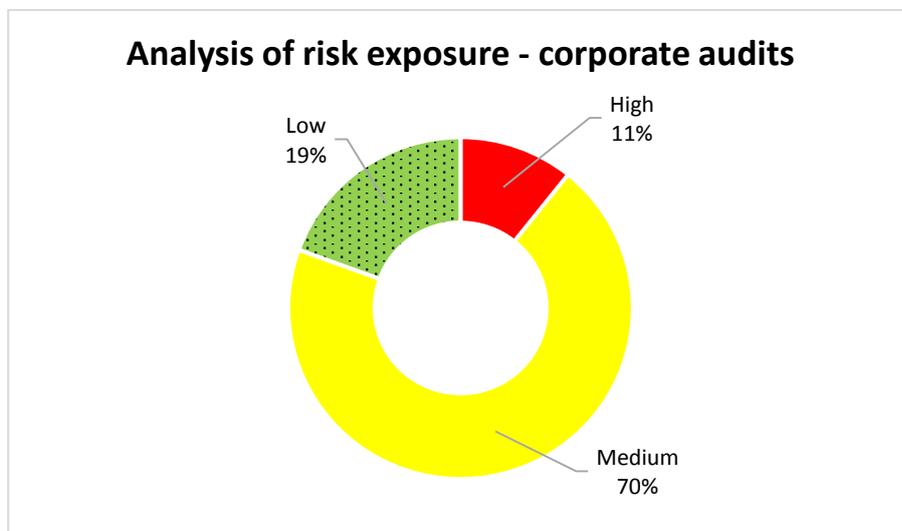
2.6. The trends for assurance opinions over the last four years are analysed in the following chart. This shows that the proportion of audits with overall negative assurances issued through the Internal Audit Plan has fluctuated, but trending towards improvement.



2.7. The scope of each corporate audit was designed and agreed individually in consultation with the appropriate service manager, to ensure review of controls in place to address inherent and external risks that could prevent achievement of the service objectives. Many of the core financial audits were undertaken to achieve a more in-depth review than had been delivered in the past. Internal

## Appendix 1

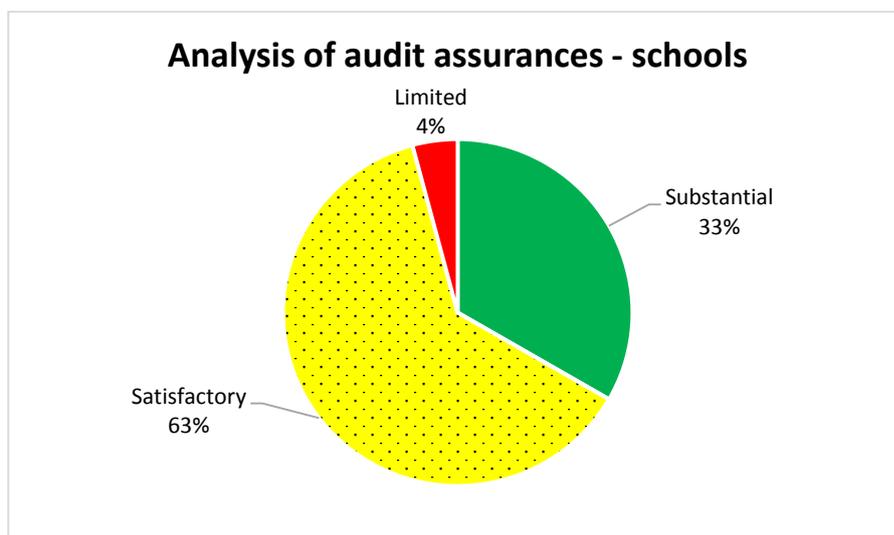
Audit identified 149 areas (recommendations) for improvement through the corporate reviews conducted during 2019/20, including 16 assessed as High risk. The risk ratings for findings identified across all corporate reviews are summarised in the following chart:



The chart shows that the majority of issues identified (70%) were assessed as Medium risk (104 recommendations raised), with 11% (16 recommendations) assessed as High risk.

### School audits

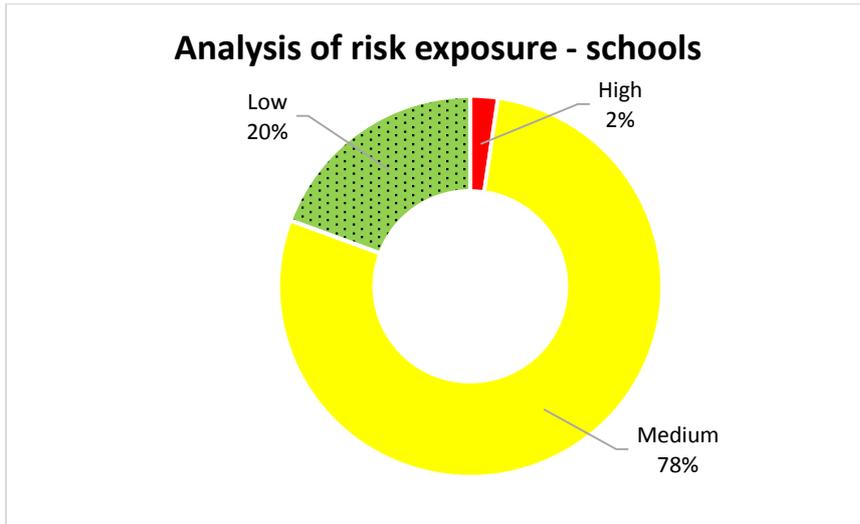
2.8. The Council's schools are audited over a three year cycle. There were 24 schools visited during 2019/20. Of these, 96% received positive assurance opinions with 4% receiving negative assurances, as summarised in the following chart.



2.9. The scope of school audits covered compliance with procedures for procurement, income, asset management, governance, budget monitoring, banking, payroll, human resources (safeguarding) and information security.

2.10. The majority of issues identified (78%) were assessed as Medium risk, with 271 recommendations raised. In addition, 2% of issues identified (8 recommendations) were assessed as High risk. Results are summarized in the following chart:

## Appendix 1



### Managers' implementation of improvements

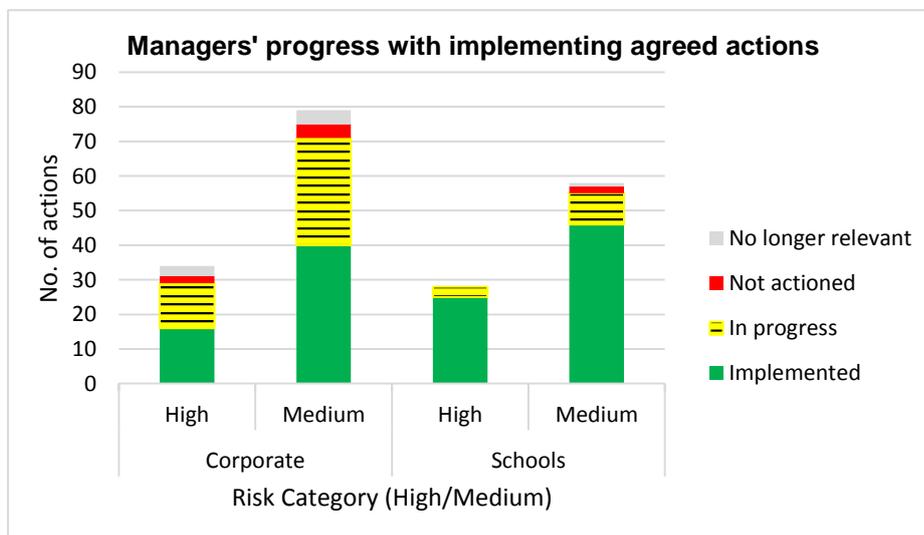
2.11. In order for the Council to derive maximum benefit from internal audit work, agreed actions should be implemented within reasonable timescales. Internal Audit confirm managers' progress with the implementation of improvements by two approaches:

- Follow-up reviews for all corporate services and schools where a negative assurance opinion has been provided in the last audit;
- Tracking of managers' self-assessments of progress with implementing High and Medium-rated actions via an internal SharePoint site.

### Follow-up reviews

2.12. There were 12 follow up audits planned for follow-up during 2019/20, (seven corporate and five schools). Of these, five follow-up reviews were cancelled (three corporate and two schools) as they were planned for completion during the last quarter of the year, which was affected by the Covid-19 pandemic's impact upon the availability of both auditee and auditor resources. A list of follow-up reviews planned and conducted can be found within the table at Annex 2.

2.13. Internal Audit followed up 199 actions in these reviews, including 62 which were rated High and 137 Medium risk. Overall, 64% of these actions were found to be fully implemented. Analysis of progress is summarised in the following chart, for corporate and schools reviews:



## Appendix 1

### Tracking of managers' self-assessments of progress improvements

- 2.14. In order for the Council to derive maximum benefit from internal audit work, agreed actions should be implemented within reasonable timescales. As Members are aware, the Internal Audit team was redeployed for four months and service managers were dealing with new pressures and ways of working as a result of the Covid-19 pandemic, during which time progress with tracking and implementing actions was paused. Tracking of school recommendations was stopped, however, Internal Audit has tracked the implementation of 532 corporate actions during the year including 491 that related to prior years' audit work.
- 2.15. By the date of the annual report, managers had fully implemented 56% of corporate actions that were due to be implemented by 31 March 2020, including with 54% with High-risk category. 12% were deemed to be no longer applicable. 10% of the actions were in progress, whilst target dates for 7% have been deferred to 2020/21. 18% are assessed as not actioned. Tracking of the outstanding progressed, not actioned and deferred actions will continue in 2020/21, including 33 actions with High risk and 140 with Medium risk categories.
- 2.16. Tracking of improvements remains a key priority for Internal Audit and management in 2020/21. Proactive steps are being taken to improve performance in this area, including: reporting to DMTs and the EMT to improve the timely implementation of recommendations.

### 3. Other sources of Assurance

- 3.1. As part of the audit plan other reviews and consultations were undertaken, for which it was not possible appropriate to provide an assurance opinion due to the nature of the assignment. These reviews included the grant certification for Supported Families
- 3.2. In addition to planned assignments, Internal Audit continued to participate in key meetings, boards and working groups for major initiatives and other governance bodies, to advise upon control issues. In particular, Internal Audit was represented at the Schools Forum. This work has enabled Internal Audit to provide early input on risk management and internal control matters for the Council's key activities and projects.

#### Anti-Fraud & Corruption Team (A-FACT)

- 3.3. AFACT is responsible for conducting and managing fraud investigations for cases that arise internally and externally in relation to Council services. This work is conducted with support from the Council's Human Resources and Legal Services teams. The work arises from the need for the Council to ensure confidence in the administration of public funds. Details of the work undertaken by A-FACT in 2019/20 are provided in a separate report.
- 3.4. Highlights are:
- 103 special investigations have been completed.
  - A-FACT continued to undertake investigation work on behalf of Lewisham Homes, which included two investigations into employee conduct issues, investigation relating to the repairs service, recovery of one tenancy and contribution to Lewisham Homes' cases to recover several more, and 109 pre-employment checks.
  - The number of employee-related frauds remains low but the trend of undeclared business interests or other conflicts of interest continues.
  - CIFAS (fraud prevention service) data obtained as part of our pilot has assisted with identifying 78 disabled badges still registered to residents who are deceased. We are looking to expand the use of CIFAS data to identify potential fraud across other areas.

## Appendix 1

### Risk Management

- 3.5. Corporate Resources Directorate is responsible for ensuring the Council has an effective risk management strategy and policy in place. The risk management policy and strategy were last updated in 2017/18 and approved by the Audit Panel and remain valid. They will be updated during 2020. In addition, Directorate Management Teams (DMT) and the Executive Management Team (EMT) meet regularly to discuss risk, review the finances and monitor performance, thereby enabling urgent matters to be escalated for action promptly outside the formal risk reporting cycle.
- 3.6. In addition to the risk registers being utilised for management purposes, the Audit Panel will receive quarterly reports on risk management but the initial report due in March 2020 was deferred due to the Covid 19 outbreak. How risks are being reported and monitored will be covered in the refresh of the Risk Management Policy and Strategy during 2020.

### Further sources of assurance

- 3.7. Assurance for the effective mitigation of risk and focus on improving internal control comes from other sources in addition to the work of Internal Audit. These sources are taken into consideration when preparing the annual assurance opinion and planning the work of Internal Audit for future years. In particular, external inspections and accreditation reviews and statutory transparency reporting requirements are helpful measures to assess the effectiveness of service practice and performance. For example external audit work, the annual Legal Services accreditation, Ofsted inspection of schools and Children's Services (assessed as Requires Improvement) and CQC inspection of Adult Social Care services.

## 4. Analysis of internal audit findings

- 4.1. The audit assurances, number of issues and their risk ratings identified for all assignments conducted during 2019/20 are provided in Annex 2. Definitions of the assurance ratings and risk priorities can be found at Annex 4.
- 4.2. Internal Audit noted several areas of good practice throughout the Council and were able to give Substantial or Satisfactory assurance for 90% of the core internal audits completed.

### Internal Control Issues

- 4.3. Where internal control issues were identified, the perceived risk exposure was assessed to facilitate prioritising of remedial actions. The table below provides the number of actions per control issue which were identified in the audits relating to the whole of 2019/20.

**Table 1: Analysis of internal control issues identified from internal audit work**

Type of control	Total
Authorisation	10
Compliance / Legal	40
Financial / Budget Monitoring	15
Governance	16
Information Security	8
IT	22
Policies	7
Procedures	66
Reconciliations	21
Separation of Duties	-
Other	7
<b>Total</b>	<b>212</b>

## Appendix 1

4.4. This table shows that the main areas where control improvements have been identified relate to:

- Procedures (31%)
- Compliance / Legal (19%)
- IT (10%)
- Reconciliations (10%)
- Governance (8%)

### Financial control and fraud risk

4.5. Audits are undertaken annually on key financial processes and systems within the Council. The table below shows a comparison of the assurance opinions for the last three years for the core financial audits based on the opinions known at the time of writing.

**Table 2: Assurance opinions for core financial systems**

Core financial system	16/17	17/18	18/19	19/20	DoT
1. Client contributions for residential & domiciliary care	SAT	SUB	LTD	LTD	↔
2. Accounts payable	LTD	SAT	LTD	SAT	↗
3. Payment for child care providers (Draft)	SAT	SAT	LTD	No opinion	↘
4. Accounts receivable	LTD	SAT	LTD	LTD	↔
5. Payroll	SUB	SUB	SAT	SAT	↔
6. Non-current (fixed) assets	SAT	SUB	SAT	SAT	↔
7. Capital programme and expenditure	SAT	SAT	SAT	SAT	↔
8. Pensions	SAT	SAT	SAT	SUB	↗
9. Direct payments	SAT	SAT	SAT	SAT	↔
10. Banking	LTD	SAT	SAT	No opinion	↘
11. Payments to Adult care providers	SAT	SAT	SAT	SAT	↔
12. Treasury management	SUB	SUB	SUB	SUB	↔
13. Housing benefit and CTRS	SAT	SUB	SUB	SUB	↔
14. Council tax	SAT	SUB	SAT	SAT	↔
15. Business rates (NNDR)	SUB	SUB	SUB	SUB	↔
16. Budget setting and monitoring (Draft)	SUB	SAT	SAT	SUB	↔
17. Main accounting	SAT	SAT	n/a	SUB	↗

<b>Key</b>	<b>SUB</b> Substantial	<b>SAT</b> Satisfactory	<b>LTD</b> Limited	<b>NAS</b> No Assurance	
↗	Improved since last year	↔	Same as last year	↘	Deteriorated since last year

## Appendix 1

- 4.6. All of the audits that have reached final report stage were issued in the period since the last update report to the Audit Panel (March 2020). Details of key findings are provided in the following table, with further details for the audits with Limited assurance provided in executive summaries from the audit reports at Annex 5:

**Table 3: Key findings from audits of core financial systems**

Financial System	Assurance	Key findings
Client contributions for residential and domiciliary care	LTD	<p>This audit reviewed procedures for confirming eligibility for care, undertaking financial assessments, issuing invoices, applying annual uplifts, deferred payment and top-up payment arrangements, information security and business continuity. Five High-risk findings were identified relating to:</p> <ul style="list-style-type: none"> <li>Financial assessments – review of the Adult Social Care Charging and Financial Assessment Framework identified inconsistencies in the value of the upper capital limit for non-residential service users' in the Council's charging policy.</li> <li>Invoicing – from a sample of 41 service users' invoices, there were seven instances where the amount invoiced to the service user did not agree to their financial assessment. Due to a change in the service users' package of care, six clients were over charged a total of £14,517.62 and three clients were under charged a total of £3,723.94.</li> <li>Invoicing - due to miscommunication between different service teams within the Council, it was identified that two service users were overcharged £34,253.85 for their contributions.</li> <li>Deferred payment agreements (DPAs) - for two out of three DPAs, interest on deferred charges was not being applied. In addition, DPA service users were not being sent six-monthly statements, as required by the Care Act statutory guidance.</li> <li>DPAs- an example was found where a service user not provided with a disposable income allowance and was incorrectly invoiced instead of deferring charges until the termination of the DPA.</li> </ul> <p>In addition seven Medium-risk issues were identified, of which two related to financial assessments, two related to issuing of invoices and three related to DPA/top-up arrangements.</p>
Accounts payable	SAT	<p>Three High-risk findings were identified relating to:</p> <ul style="list-style-type: none"> <li>Authorisation of a payment by an individual who did not have delegated authority;</li> <li>Failure to complete the E-Procurement Accrual reconciliation;</li> <li>It was not possible to run a report to show vacation rules in use and for how long they had been set. It was found that when an officer uses the delegation rule they are able to delegate their authority to another user and further approval is not required.</li> </ul> <p>In addition, eight Medium-risk findings were identified.</p>
Payments for child care providers	No opinion	<p>The key controls were confirmed, however, Internal Audit was unable to obtain sufficient evidence for testing to confirm the effectiveness of all controls. Two High-risk findings were identified relating to:</p> <ul style="list-style-type: none"> <li>The placement information record (PIR) could not be located for three out of a sample of 20 placements, and placement authorisation could not be located for five of the sample; and</li> <li>A placement plan or individual placement contract had not been signed by the provider for 16 out of the sample of 20 placements.</li> </ul> <p>In addition, one Medium-risk finding was identified relating to out of date procedure notes.</p>

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Financial System	Assurance	Key findings
Accounts receivable	LTD	<p>This audit reviewed procedures for raising invoices, debt recovery, write-offs, reconciliations, performance management, information security and business continuity. Two High-risk findings were identified relating to:</p> <ul style="list-style-type: none"> <li>Debt recovery - Delays in recovery action including sending reminder letters within the required timeframes; and</li> <li>Reconciliations - The Accounts Receivable and Accounts Receivable Refunds Reconciliations had not always been completed and authorised in a timely manner. There were also items of income that had not been cleared and ongoing discrepancies that had not been resolved.</li> </ul> <p>In addition, six Medium-risk findings were identified. Two of these related to raising invoices, two related to debt recovery, with other weaknesses identified in procedures for write-offs and performance management.</p>
Payroll	SAT	<p>Two High risk findings were identified as follows:</p> <ul style="list-style-type: none"> <li>No evidence was provided that payroll control account reconciliation discrepancies, which were sent to Payroll by the accountant, were investigated</li> <li>Out of 15 teachers' pension contribution tested, 2 deductions were at the incorrect rate.</li> </ul> <p>In addition, six Medium-risk issues were identified.</p>
Non-current (fixed) assets	SAT	<p>One High-risk finding was identified relating to valuations and impairment, as the contract for the provision of asset valuations was extended with the contractor to cover the valuations for the financial year 2018/19 and extended to cover 2019/20. However, the Council's procedures for procurement were not followed.</p> <p>In addition, eight Medium-risk findings were identified.</p>
Capital programme and expenditure	SAT	<p>One High-risk issue was identified as it was found that there were two projects in a sample of 10, for which the budget was increased on Oracle before the additional funds had been approved.</p> <p>In addition nine Medium-risk findings were identified.</p>
Pensions	SUB	<p>Two Medium-risk findings were identified relating to various weaknesses in the completion/evidencing of reconciliations, and the Pension Fund risk register had not been updated since 2018.</p>
Direct payments	SAT	<p>Nine Medium-risk findings were identified relating to instances of non-compliance with procedures for set-up and review of direct payments, making payments, monitoring of use, stopping and recovery of payments and information security.</p>
Banking	No opinion	<p>The key controls have been confirmed, however, Internal Audit was unable to obtain sufficient evidence for testing to confirm the effectiveness of all controls. One Medium risk finding was identified relating to reconciliations.</p>
Payments to adult care providers	SAT	<p>One High-risk issue was identified in relation to payments to providers as evidence of investigation could not be provided to explain discrepancies between expected and actual invoiced amounts for two out of a sample of 10 accounts where adjustments were required.</p> <p>In addition, six Medium-risk findings were identified.</p>
Treasury management	SUB	<p>Two Medium-risk findings were identified relating to monthly cash flow forecasts and cash flow forecast reconciliations not being prepared in a timely manner; and minutes of the monthly meetings not taken to evidence discussion of variances between cash flow forecasts and actuals.</p>

## Appendix 1

Financial System	Assurance	Key findings
Housing benefit and CTRS	SUB	Two Medium-risk findings were identified relating to insufficient review of monthly reconciliations between rent rebate and rent allowance transactions against the General Ledger, and late reconciliation of the rent allowances.
Council tax	SAT	Three Medium-risk findings were identified relating to the granting of discounts/exemptions to 7/52 applicants without confirmation of their eligibility; insufficient review of awarded discounts/exemptions to check whether circumstances have changed; and insufficient review of quarterly reconciliations between the council tax system and general ledger.
Business rates (NNDR)	SUB	Two Medium-risk issues were identified relating to the findings that one business was awarded revaluation support twice in error and insufficient review the periodic reconciliations between the business rates system and the general ledger.
Budget setting and monitoring	SUB	Two Medium-risk issues were identified. One related to unclear justification for adjustments whereas the other related to lack of evidence to support four out of 32 reported figures.
Main accounting	SUB	Five Medium-risk issues were found relating to the approval of new codes or amendments, recording of task completion in the closedown timetable, late signing-off of the final accounts, and delay in the preparation and review of both feeder system reconciliations and control account reconciliations.

## 5. Role of the Head of Internal Audit

- 5.1. CIPFA's Statement on "The role of the Head of Internal Audit in public service organisations, 2010" states that the Head of Internal Audit role is based on five principles:
- 1) Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
  - 2) Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control;
  - 3) Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
  - 4) Must lead and direct an internal audit service that is resourced to be fit for purpose; and
  - 5) Must be professionally qualified and suitably experienced
- 5.2. The annual review of the Head of Internal Audit concluded that all of the above principles were met.

## Annex 1: Annual Opinion types

The table below sets out the four types of opinion that Internal Audit uses to describe annual assurance, along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit has applied professional judgement when determining the appropriate opinion so the guide given below is **indicative rather than definitive**.

Type of opinion	Indication of when this type of opinion may be given
<b>Substantial</b>	<ul style="list-style-type: none"> <li>A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and</li> <li>None of the individual assignment reports have an overall report classification of either high or critical risk.</li> </ul>
<b>Satisfactory</b>	<ul style="list-style-type: none"> <li>Medium risk rated weaknesses identified in individual assignments that are <b>not significant in aggregate</b> to the system of internal control; and/or</li> <li>High risk rated weaknesses identified in individual assignments that are <b>isolated</b> to specific systems or processes; and</li> <li>None of the individual assignment reports have an overall classification of critical risk.</li> </ul>
<b>Limited</b>	<ul style="list-style-type: none"> <li>Medium risk rated weaknesses identified in individual assignments that are <b>significant in aggregate but discrete parts</b> of the system of internal control remain unaffected; and/or</li> <li>High risk rated weaknesses identified in individual assignments that are <b>significant in aggregate but discrete parts</b> of the system of internal control remain unaffected; and/or</li> <li>Critical risk rated weaknesses identified in individual assignments that are <b>not pervasive</b> to the system of internal control; and</li> <li>A <b>minority</b> of the individual assignment reports may have an overall report classification of either high or critical risk.</li> </ul>
<b>No Assurance</b>	<ul style="list-style-type: none"> <li>High risk rated weaknesses identified in individual assignments that <b>in aggregate are pervasive</b> to the system of internal control; and/or</li> <li>Critical risk rated weaknesses identified in individual assignments that are <b>pervasive</b> to the system of internal control; and/or</li> <li><b>More than a minority</b> of the individual assignment reports have an overall report classification of either high or critical risk.</li> </ul>
<b>Disclaimer opinion</b>	<ul style="list-style-type: none"> <li>An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> <li>Restrictions in the audit programme agreed with the Audit Panel, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or</li> <li>We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.</li> </ul> </li> </ul>

## Appendix 1

### Annex 2: 2019/20 Internal Audit Work

Audit	Report Date	Assurance	Recommendations		
			High	Medium	Low
<b>Core Financial</b>					
2019/20-32 - Accounts Payable 19-20	27/08/2020	Satisfactory	3	8	1
2019/20-33 - Accounts Receivable and Debt Recovery 19-20	27/08/2020	Limited*	2	6	2
2019/20-34 - Banking 19-20	27/08/2020	Unable to provide assurance		1	
2019/20-35 - Budget Setting and Monitoring 19-20		Substantial		2	1
2019/20-36 - Business Rates -19-20	25/08/2020	Substantial		2	
2019/20-37 - Capital Expenditure 19-20	24/06/2020	Satisfactory	1	9	
2019/20-38 - Client Contribution for Care Provision 19-20	21/09/2020	Limited*	5	7	2
2019/20-39 - Council Tax 19-20	04/09/2020	Satisfactory		3	
2019/20-40 - Direct Payments 19-20		Satisfactory		9	1
2019/20-41 - Housing Benefit and Council Tax Reduction Scheme (CTRS) 19-20	31/07/2020	Substantial		2	1
2019/20-42 - Main Accounting 19-20	11/08/2020	Substantial		2	
2019/20-43 - Asset Management 19-20	13/03/2020	Satisfactory	1	8	
2019/20-44 - Payments to Adult Care Providers 19-20	21/09/2020	Satisfactory	1	6	
2019/20-45 - Payments to Childcare Providers and Foster Carers for Looked After Children - 2019/20	21/10/2020	Unable to provide assurance	2	1	
2019/20-46 - Payroll 19-20	08/09/2020	Satisfactory	3	6	
2019/20-47 - Pensions for LGPS 19-20	18/08/2020	Substantial		2	
2019/20-48 - Treasury Management 19-20	11/08/2020	Substantial		2	1
<b>Corporate audits</b>					
2019/20-25 - Building Security - Contract Monitoring	16/07/2020	Substantial		3	2
2019/20-26 - Grounds Maintenance - Contract Management	27/02/2020	Satisfactory		4	5
2019/20-27 - School Health - Contract Management	08/06/2020	Satisfactory		6	1
2019/20-28 - Family Action - Contract Management	24/02/2020	Satisfactory		7	1
2019/20-49 - VAT Audit 19-20	N/a	Deferred			
2019/20-50 - Rogue Landlords Framework 19-20	N/a	Cancelled			
2019/20-51 - Schools' Finance Team 19-20	N/a	Deferred			
2019/20-52 - Lewisham Gateway Development	N/a	Cancelled			
2019/20-53 - Tendering and Procuring contracts and supplier Resilience 19-20	N/a	Deferred			
2019/20-56 - Planning Control Framework	N/a	Cancelled			
<b>IT audits</b>					
2019/20-29 - Telecommunications (was New Phone System and BCP) (From 18/19)	26/06/2020	Satisfactory		6	9
2019/20-30 - Self Service IT Processes 19-20	29/06/2020	Satisfactory		3	2
2019/20-54 - Office 365 and SharePoint	N/a	Deferred			
2019/20-55 - LBL IT Strategy	N/a	Deferred			
2019/20-31 - Oracle HR and Payroll – Post implementation	N/a	Deferred			
<b>Grants</b>					
2019/20-99 - Supporting Families Programme Grant Certification 19-20	N/a	Not applicable	n/a	n/a	n/a
<b>Schools</b>					
2019/20-01 - Brindishe Green Primary 19-20	10/01/2020	Substantial		6	1
2019/20-02 - Brindishe Manor Primary 19-20	06/01/2020	Substantial		8	2
2019/20-03 - Clyde Nursery 19-20	31/07/2020	Satisfactory		16	1
2019/20-04 - Dalmain Primary 19-20	12/11/2019	Satisfactory		11	6

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Audit	Report Date	Assurance	Recommendations		
			High	Medium	Low
2019/20-05 - Deptford Park Primary 19-20	14/11/2019	Satisfactory	1	13	5
2019/20-06 - Drumbeat School and ASD Service 19-20	30/01/2020	Satisfactory		16	4
2019/20-07 - Good Shepherd Catholic Primary School 19-20	25/11/2019	Substantial		3	4
2019/20-08 - Holy Cross Catholic Primary 19-20	05/11/2019	Satisfactory		11	5
2019/20-09 - Horniman Primary 19-20	06/08/2020	Satisfactory	1	17	4
2019/20-10 - John Stainer Primary 19-20	13/03/2020	Satisfactory		9	5
2019/20-11 - Lucas Vale Primary 19-20	09/12/2019	Substantial		4	2
2019/20-12 - Marvels Lane Primary 19-20	18/03/2020	Limited	3	14	1
2019/20-13 - Myatt Garden Primary 19-20	19/12/2019	Substantial		8	6
2019/20-14 - Rangefield Primary 19-20	05/11/2019	Substantial		7	1
2019/20-15 - Rathfern Primary 19-20	31/03/2020	Satisfactory		15	3
2019/20-16 - Rushey Green Primary 19-20	30/01/2020	Satisfactory		14	3
2019/20-17 - Sandhurst Primary 19-20	07/11/2019	Satisfactory		12	3
2019/20-18 - St Augustine's Catholic Primary 19-20	21/11/2019	Satisfactory	1	11	4
2019/20-19 - St Joseph's Catholic Primary 19-20	06/01/2020	Satisfactory	1	15	
2019/20-20 - St Mary's Church of England Primary 19-20	08/07/2019	Substantial		9	2
2019/20-21 - St Stephen's Church of England Primary 19-20	07/10/2019	Substantial		9	3
2019/20-22 - Stillness Infant 19-20	08/01/2020	Satisfactory	1	14	
2019/20-23 - Stillness Junior 19-20	02/12/2019	Satisfactory		12	1
2019/20-24 - Torridon Primary 19-20	02/09/2019	Satisfactory		17	1
<b>Follow-ups - Corporate</b>					
2019/20-F01 - 2018/19-43 - Adherence to the Local Government Transparency Code- Follow up	11/10/2019	Not applicable			
2019/20-F09 - Accounts Payable 18-19 - Follow up	27/08/2020	Not applicable			
2019/20-F10 - Accounts Receivable and Debt Recovery 18019- Follow-up	27/08/2020	Not applicable			
2019/20-F03 - Apprenticeship Levy Spend including Professional Qualifications - follow up	26/02/2020	Not applicable			
2019/20-F11 - Client Contribution for Care Provision 18-19 - Follow up		Not applicable			
2019/20-F08 - Oracle Cloud - Financials Post Implementation - Follow-up	N/a	Deferred			
2019/20-F12 - Payments to Child Care Providers and Foster Carers 18-19 - Follow up	N/a	Deferred			
<b>Follow-up - Schools</b>					
2019/20-F06 - Deptford Green Secondary - Follow-up	07/01/2020	Not applicable			
2019/20-F04 - Bonus Pastor Catholic College - Follow up	07/01/2020	Not applicable			
2019/20-F05 - Conisborough College - Follow up	06/02/2020	Not applicable			
2019/20-F07 - Trinity All Through School - Follow-up	N/a	Cancelled			
2019/20-F02 - Abbey Manor School - Follow up	N/a	Cancelled			

\*The executive summary from the audit report is presented in Annex 6

## Appendix 1

### **Annex 3 - Changes to the Internal Audit Plan**

<b>Audits cancelled or deferred</b>	<b>Reason for deferral/cancellation</b>
2019/20-31 - Oracle HR and Payroll – Post implementation	Implementation of Oracle HR/Payroll has been delayed
2019/20-49 - VAT Audit 19-20	Deferred due to insufficient audit resource
2019/20-50 - Rogue Landlords Framework 19-20	Cancelled due to insufficient audit resource
2019/20-51 - Schools' Finance Team 19-20	Deferred due to insufficient audit resource
2019/20-52 - Lewisham Gateway Development	Deferred due to insufficient audit resource
2019/20-53 - Tendering and Procuring contracts and supplier Resilience 19-20	Deferred due to insufficient audit resource
2019/20-54 - Office 365 and SharePoint	Cancelled due to insufficient audit resource
2019/20-55 - LBL IT Strategy	Deferred due to insufficient audit resource
2019/20-56 - Planning Control Framework	Cancelled due to insufficient audit resource
<b>Follow ups</b>	
2019/20-F02 - Abbey Manor School - Follow up	Follow-up audit cancelled due to Covid-19 pandemic
2019/20-F07 - Trinity All Through School - Follow-up (Cancelled)	Follow-up audit cancelled due to Covid-19 pandemic
2019/20-F08 – Oracle Cloud - Financials Post Implementation - Follow-up	IT team delay in implementation. Follow-up audit cancelled due to Covid-19 pandemic
2019/20-F12 - Payments to Child Care Providers and Foster Carers 18-19 - Follow up	Follow-up audit cancelled as a full audit was not completed in 2019/20.

## Appendix 1

### ***Annex 4: Basis of internal audit assurance classifications***

#### **Explanations for Assurance Opinion**

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

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

#### **Definition of Category of Recommendation**

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

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

## Appendix 1

### **Annex 5: Performance of the Internal Audit Service**

#### **Key performance indicators (KPIs)**

The Internal Audit team aims to provide an efficient and high quality service. Therefore, our performance against a set of KPIs is shown in the table below:

KPI	Target	2019/20 results	Comments
Proportion of plan delivered	90%	92%	Approval to defer/cancel nine audits from the agreed plan of 69 was obtained through update reporting to Audit Panel in March 2020. Since then, a further five audits have been cancelled due to the need to deploy Internal Audit resource in response to the Covid-19 pandemic. Therefore 55 out of 60 audits have been delivered.
Proportion of high and medium risk recommendations implemented	75%	64%	Results are based on follow-up reviews conducted.
		56%	Results are based on tracking managers' self-assessment of progress with implementing corporate actions. Tracking of schools' progress has ceased as a result of the Covid-19 pandemic.
Average customer satisfaction score meets or exceeds acceptable level	85%	72%	Results are based on only one response received during the year.

#### **Quality assurance and improvement programme**

PSIAS require that Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. Periodic reviews of the quality of internal audit work are completed internally and the Head of Internal Audit reviews all draft audit reports. Planning and delivery of the Service (including this Annual Assurance) has been done in conformance with the requirements of the PSIAS.

#### **Public Sector Internal Audit Standards**

An external independent peer review of the Internal Audit service against the PSIAS was conducted in 2016, which concluded that the Internal Audit service 'generally conforms' to the PSIAS, with no areas of non-conformance being identified. All actions arising from the review have been implemented. The next review is due by March 2021.

In the meantime, Internal Audit undertook a self-assessment of compliance with the PSIAS. The assessment for 2019/20 found some areas for improvement, which have been incorporated into the QAIP for 2020/21.

## Annex 6: Limited/No Assurance Executive Summaries

# Accounts Receivable and Debt Recovery 19-20 Corporate Services (COR)

## Overall Audit Opinion - Limited

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

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

**Key**   ★ Substantial   ● Satisfactory   ▲ Limited   ■ No Assurance

### Introduction

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.

Testing of write-offs, including review of the documentation and confirmation of authorisation could not be completed. This is due to Covid 19 lockdown restrictions which meant officers were not able to access the documentation kept in the office.

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

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

- Delays in recovery action including sending reminder letters within the required timeframes as per the Debtors Procedure Manual.
- The Accounts Receivable and Accounts Receivable Refunds Reconciliation had not always been completed and authorised within a timely manner. There were also items of income that had not been cleared and on-going discrepancies that had not been resolved.

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

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

## **Assurance Opinion and Recommendations Made**

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

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

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

2 High recommendations, of these 2 were made in the previous report,

6 Medium Recommendations, of these 5 were made in the previous report, and

2 Low Recommendations.

## **Key Findings \*indicates reoccurring recommendation**

- \*Debt recovery action including sending reminder letters was not done in a timely manner and further debt recovery action had not been done.
- \*The Accounts Receivable and Accounts Receivable Refunds Reconciliation had not always been completed promptly (within three weeks of month end) and had not always been authorised in a timely manner. Items on the Accounts Receivable Refunds reconciliation had not been resolved. There were discrepancies between the Accounts Receivable report and General Ledger report in the Accounts Receivable Reconciliation that were not resolved.
- \*Debtor KPIs were not being reported as part of the Corporate Services Performance Report.

- \*In one case the credit note request had not been processed in a timely manner. In one case the request had been processed without the request form completed. In two cases a reason for the credit note and a record of authorisation of the credit note was not recorded.
- \*In one case the invoice request had not been processed in a timely manner and time scales for processing invoice requests had not been agreed. There was also one invoice request form that had not been processed in a timely manner.
- \*Internal Audit requested evidence confirming authorisation for a sample of five write-offs. However, these were not kept electronically. Therefore, the documentation could not be provided Due to Covid 19 lockdown restrictions, and write off controls could not be fully reviewed.
- \*There were four debts where a default on an instalment arrangement had occurred and further investigation was needed but not actioned. In addition, the Financial Information Form had not been completed in one case where it was required.
- Out of a sample of five Housing Benefit Debt Recovery cases, it was found that two cases debt recovery action had not been taken. In one case this was due to an issue with the migration to ASH where a number of invoices had not been migrated.

### **Areas that worked well**

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

### **Limitations to the scope of the audit:**

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

# Client Contributions for Care Provision 2019/20

## Corporate Services (COR)

### Overall Audit Opinion - Limited (**Draft Report**)

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

**Key** ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

#### Introduction

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.

#### Basis of Opinion

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

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

Audit testing also established some non-residential service users' were not being financially assessed in line with approved Council policy. In addition, financial assessments for non-residential service users'

took place after they started receiving care.

## **Assurance Opinion and Recommendations Made**

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

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

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

5 High recommendations (of these 2 were raised in the previous audit report),

7 Medium Recommendations (of these 3 were raised in the previous audit report), and

2 Low Recommendations.

## **Key Findings \*indicates reoccurring recommendation**

- \* A review of the invoices issued to 41 service users' identified seven instances where the amount invoiced to the service user did not agree to their financial assessment. Due to a change in the service users' package of care, six clients were over charged a total of £14,517.62 and three clients were under charged a total of £3,723.94.
- \* For two out of three Deferred Payment Agreement (DPA) service users' tested, interest on deferred charges was not being applied. In addition, DPA service users' are not being sent six-monthly statements, as required by the Care Act statutory guidance.
- Due to miscommunication between different service teams within the Council, it was identified two service users' were over charged £34,253.85 for contributions towards their care and support costs.
- A review of three Deferred Payment Agreements (DPA's) identified one service user was not provided with a disposable income allowance of £144 per week, as required by the Care Act statutory guidance. In addition, the same service user was incorrectly sent an invoice of £9,350 for immediate payment instead of being debited to their DPA account and deferred until the termination of the deferred payment agreement.
- A review of the Adult Social Care Charging and Financial Assessment Framework identified inconsistencies in the value of the upper capital limit.
- \* A review of three Deferred Payment Agreements (DPA's) identified none of the three were charged an administration charge. In addition, a review of one ended DPA identified the service user was not charged a termination fee. In total, the lost income to the Council from these service users' was £1,225.
- \* For three Deferred Payment Agreements (DPA's) tested, it was identified that two did not have an equity limit calculated. In addition, evidence was not provided that an officer of the Council was regularly monitoring the amount of charges accrued on DPA accounts to identify when service users' are approaching 70% of their property value or equity limit, as required by the Care Act statutory guidance.
- \* Testing of 23 new service users' identified 10 non-residential and three residential service users' financial assessments were not carried out prior to the start of the service user's package of care. In addition, it was identified for four service users' they were not charged from the first date they received care from the Council. The loss of income to the Council was £6,802.50.
- A review of five non-residential service users' that are paying the full cost of their care identified three that did not have an adjustment on their invoices for service breaks.
- A review of the financial assessments for 16 non-residential service users' identified the minimum income guarantee rate for two service users' did not agree with the rate on the buffer limit spreadsheet.

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

### **Areas that worked well**

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

### **Limitations to the scope of the audit:**

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

## ***Annex 7: Limitations inherent to the internal auditor's work***

Internal Audit work has been performed subject to the limitations outlined below.

### ***Opinion***

The annual audit opinion does not imply that Internal Audit has reviewed all risks relating to the organisation. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance over the operation of the system of internal control.

The opinion for individual audits is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Panel should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

### ***Internal control***

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### ***Future periods***

Internal Audit's assessment of controls relating to Lewisham Council is for the period 01/04/19 to 31/03/20. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

The specific time period for each individual internal audit is recorded within each audit report.

### ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavour to plan work so that it has a reasonable expectation of detecting significant control weaknesses and, if detected, Internal Audit shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and the team's examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.



## Audit Panel

**Report title: Final Accounts 2019/20 – Grant Thornton’s External Audit Progress Report and Sector Update**

**Date:** 30 September 2020

**Key decision:** No

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Executive Director for Corporate Resources

### Outline and recommendations

The purpose of this cover report is to present to the Audit Panel the progress report by Grant Thornton on their findings to date during the external audit of the Council’s 2019/20 Main Accounts and Pension Fund Accounts. The report also includes a sector update.

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

## 1. Summary

- 1.1. The purpose of this cover report is to present to the Audit Panel the progress report by Grant Thornton on their findings to date during the external audit of the Council's 2019/20 Main Accounts and Pension Fund Accounts. The report also includes a sector update.

## 2. Recommendation

- 2.1. It is recommended that the Audit Panel consider and note the attached report from the Council's external auditors, Grant Thornton.
- 2.2. See Appendix – Grant Thornton – London Borough of Lewisham Audit Progress Report and Sector Update – Year Ended 31 March 2020. **Attached**

## 3. Report author and contact

- 3.1. Selwyn Thompson, Head of Financial Services – [Selwyn.Thompson@lewisham.gov.uk](mailto:Selwyn.Thompson@lewisham.gov.uk)  
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# Audit Progress Report and Sector Update

London Borough of Lewisham  
Year ending 31 March 2020  
September 2020



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# Introduction

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**Paul Grady**

**Engagement Lead**

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

The paper also includes:

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

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

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

# Progress at September 2020

## Prior year objections

We have recently concluded on our work on addressing local elector objections on the 2016/17 financial statements in regards to the Council's Private Finance Initiatives (PFIs) and Lender Option Borrower Option (LOBO). The Council are not required to take any action. We are intending to certify closure of the 2016/17, 2017/18 and 2018/19 audits in November 2020.

The fee variations for the cost of the work on the objections are required to be approved by Public Sector Audit Appointments. For information, the costs of the objections are £11,000 for the PFI and £13,000 for the LOBO objection.

## Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in December 2019, and interim audit in January to March 2020. We began our work on your draft financial statements in July.

In March we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will report formally on our work in the Audit Findings Reports scheduled for the 4 November Audit Panel and aim to give our opinion on the Statement of Accounts by 30 November.

### Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 12 March 2020, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response. On 16 April 2020 we issued an addendum to our audit plan, setting out a new significant financial statement risk in relation to Covid-19.

## Financial Statements Audit Progress

Throughout the pandemic we held regular meetings with the Council's key finance staff to discuss the Covid-19 impact on the Council. We also discussed the financial implications in terms of asset valuations, going concern and provision for credit losses in advance of submission of the financial statements. This has assisted the Council in complying with the required accounting standards and ensuring that disclosures complied with the Code of Practice on Local Authority Accounting 2019-20.

The Council's finance team were well set up for remote working and there were no changes in key financial processes that impacted on our approach to the audit. Restrictions for non-essential travel have meant both teams are being flexible in approaches to sharing information. We are utilising video calling to watch the finance team run the required reports to gain assurance over the completeness and accuracy of information produced by the Council. We are making more use of conference calls and emails to resolve audit queries. Both teams are utilising a query log to track and resolve outstanding items which is shared by the audit team on a daily basis. Weekly meetings are being held with senior finance staff to highlight key outstanding issues and findings to date, ensuring that the audit process is as smooth as possible.

The audit is progressing to the revised timeframes. Management and officers have worked hard to ensure that information is provided in the required timeframes. Inevitably, working in remote conditions has led to some delays in obtaining responses to queries where a face to face meeting would have been more effective. We are still aiming to complete the remainder of our substantive testing by the end of September 2020. This is dependent on the Council providing the required outstanding information. Achieving this will be key to achieving the planned audit completion by the end of October 2020 and reporting to the Audit Panel on 4 November 2020.

# Progress at September 2020 continued

## Financial Statements Audit Progress (continued)

We are still completing our work in a few areas, but we are aiming to finalise our substantive testing by the end of September. The main areas that we are still working through are Property Plant and Equipment valuations and cut off expenditure testing. We have identified several presentational adjustments within the notes to the Council's financial statements. The number of proposed adjustments is in line with the previous year. Our key findings that impact on the main statements to date are as follows:

- Due to Covid-19 and its potential to impact on the value of the Council's land and buildings the Valuer has disclosed a material uncertainty within the Council's valuation reports in common with the majority of Councils. The Council has reflected the material uncertainty within note 4 of the accounts. We will reflect your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion.
- The Council had not obtained a year end valuation for all its surplus assets as required by International Financial Reporting Standards. The Council has since obtained a valuation for the assets that had not been revalued. The financial statements will need updating for these assets. The Council has calculated the potential reduction to the Net Book Value of assets of £10.2m. We are in the process of challenging the valuations as some of the assets do not appear to be valued at highest and best use in line with the accounting standards.

- The pension disclosures within the financial statements were prepared using the actuary estimate of the 31 March 2020 investment balances. Due to Covid 19, there was a significant difference between the estimated value of the investment balances and subsequent actual assets. The Council obtained an updated IAS19 report from their actuary to reflect the year end actual balances. The assets had decreased by £7.4m.
- Our expenditure cut off testing has identified invoices that were paid in 2020/21 that related to 2019/20 that had not been appropriately accrued for. The current error rate leads to an extrapolation of approximately £7million. We have extended our sample size and the Council are in the process of providing support for these additional items.

Our substantive testing of the pension fund financial statements is largely complete and we are currently undertaking our review and closure processes. At this stage the two key findings are:

- Our anticipated audit report opinion will be unqualified and will include an Emphasis of Matter paragraph, highlighting the material uncertainties caused by Covid-19 in the valuation of Pension Fund Private Equity investments held by Harbourvest, Infrastructure investments held by JP Morgan Infrastructure and Property Investments held by Schroders. The Emphasis of Matter is not a modified or qualified opinion and will just point readers of the accounts to the Pension Fund Accounting policy Note W where the Pension Fund has disclosed more details on the uncertainty.
- Subsequent to receipt of the draft financial statements, the Fund Manager Harbourvest provided updated 31 March 2020 capital statements which take into consideration impact on Covid 19. The valuations of the Harbourvest investments had fallen by £2,059k from the balance disclosed in the draft financial statements. Management has agreed the to adjust the pension fund financial statements.

Our Audit Findings Report on the Council and Pension Fund financial statements will be provided to the Audit Panel on 4 November 2020.

# Progress at September 2020 continued

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body 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 three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in our Audit Plan. Our value for Money work is in progress and we will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by 30 November 2020.

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim is underway and we plan to be able to complete our work by the revised reporting deadline of 31 January 2021. We will report our findings to the Audit Panel in our Certification Letter in January 2021.

We certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2019/20 claim is due to be completed in advance of the 30 November deadline.

We also certify the Council's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The Council is in the process of finalising work on prior year claims prior to us being able to finalise the audit. We are yet to receive from MHCLG guidance for the certification work for the 2019/20 return.

### Meetings

We met with Finance Officers in July as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We are due to meet with your Chief Executive in September to discuss the Council's strategic priorities and plans.

### Events

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

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

# COVID-19 Update

## Impact on working arrangements:

- Following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home
- We have been working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we have been able to complete the majority of the audit remotely. This has unavoidably made the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- There may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

## Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations.
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment.
- impact on collectability of debt and assumptions made in bad debt provisions.
- impact on post-balance sheet events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.
- disclosure of impact in annual report.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- impact on reporting to those charged with governance and signing arrangements.

## Changes to reporting requirements:

- The Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 30 August 2020.
- For principal authorities, this means that the whole chain of publication requirements will be amended. The audited financial statements are now to be published by 30 November 2020.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

# Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2019/20.	April 2019	Complete
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Panel setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	March 2020	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2020	Complete
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the November Audit Panel	November 2020	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	By 30 November 2020	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	December 2020	Not yet due
<b>Whole of Government Accounts return</b> Our audit of your Whole of Government Accounts return	December 2020	Not yet due
<b>Housing Benefit, Teachers' Pensions and other claims and returns</b> Our certification of your Housing Benefit and other claims and returns	January 2021	Not yet due

# Sector Update

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

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

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

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

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

Public Sector

Local  
government

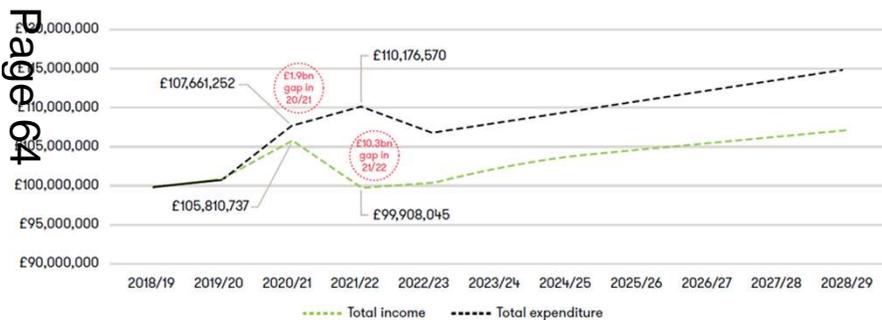
# Covid-19 update

## Where are we now?

Over five months into lockdown and councils have moved from the initial emergency response phase to focus on recovery planning which is running in parallel with on-going responses to the pandemic, such as supporting vulnerable people, and managing the capacity challenges of delivering business as usual alongside covid-19 response.

The Government has confirmed three tranches of funding to support the impact of increase spend and reduced income directly attributed to Covid-19, and are in the process of confirming further support via the income compensation scheme.

Local Authority Income and Expenditure (England) 2018/19 to 2028/29



Source: Grant Thornton/CIPFA Financial Foresight

Financial Foresight forecast indicates that English local authorities have a funding gap of £1.9bn this financial year, rising to over £10bn in 2021/22. There is significant uncertainty as to whether the Government will provide further Covid-19 related funding, and what the medium-term funding for the sector will be following the Autumn's Comprehensive Spending Review. Our modelling currently assumes that government funding will remain broadly unchanged, with income being affected by ongoing reduction to Council Tax and Business Rates, both in terms of a reduction to these tax bases, alongside reduced payments as a consequence of the recession brought about by the pandemic.

and support the vulnerable, whatever scenarios play out in the medium term.

The uncertainty also impacts on future spending pressures and sales fees and charges income. For example, leisure centres and swimming pools can now be opened, but must follow Government guidelines on issues such as social distancing. Not all leisure services have been able to reopen, and those that have are not able to generate levels of income originally forecast pre-covid. Social care faces uncertainty in relation to future demand, for example most councils responsible for children's services are forecasting an increase in case load when children return to schools in September. For adults, where in some cases demand has fallen during the pandemic, there is uncertainty over future levels of demand. There is also concern over provider failure in relation to social care and other services such as leisure and transport, with many councils providing financial support and loans to some providers, which will not be sustainable in the medium term.

As place leaders, councils are managing the conflict between revitalizing footfall in high streets and keeping people safe, with some leading by example and encouraging council officers to spend some of the week in council offices. Use of public transport as a key mode of travel to get to work remains a particular challenge.

## Lessons learned

All organisations, including councils, have been reflecting on the lessons learned from the pandemic, and are seeking to maintain the positive experiences as well as learn from the challenges, as part of recovery planning. There is a recognition that technology has enabled many people to successfully work remotely, and that this will have a fundamental impact on working patterns well after Covid-19 has passed. Councils are reviewing their property portfolios to understand the changes required in terms of future usage patterns, including how councils interact with their communities, whether parts of the municipal estate should be disposed, and whether alternate use of space can support income generation.

There will be demographic variations between places, meaning there is no "one size fits all" to economic recovery. For example, home to work geographies will vary, with some people who previously commuted into a council area for their work may now be considering office space closer to home, leading to a rise in demand for shared office space in some areas, that will in part countervail the fall in demand elsewhere.

# Covid-19 update (cont'd)

## Lessons Learned (Cont'd)

Many councils have recognized the improvement in community engagement and partnership working with the voluntary sector and other public sector organisations during the pandemic and are seeking to build on this, with a recognition that sharing responsibility for place-based recovery plans can help sustain the improvements gained. Although a shared view of place-based recovery takes an investment of time and resource that not all partner organisations are able to provide.

Wider learning relates to central vs local response to issues such as provision of BPE, housing the homeless and rough sleepers, and provision of food and equipment to the vulnerable. This is currently playing out on test and trace and how local lockdowns should be managed, with ongoing tension between national and local government.

Many councils understand the importance of data in supporting recovery planning decision making, to effectively understand where to prioritise resources and activity in the right way and at the right time to achieve the right outcomes.

The future?

Covid-19 has only increased volatility and uncertainty for local government, and when working with councils delivering Financial Foresight we have prioritized scenario planning to support strategic financial planning. Understanding best, worst and optimum case scenarios from the impact of the pandemic are critical in strategic discussion when setting next year's budget and updating the Medium-Term Financial Plan – impacts on the place and communities, as well as on the council services and the council as an organization. Some councils are more confident than others in being able to manage their financial position during 2020/21 but all are concerned about 2021/22 and beyond. And it is not just Covid-19 scenarios that need to be understood, but other global, national and local issues that will impact over the medium term, including the impact of a no deal Brexit trade deal, and new government policies such as those expected on devolution and health and social care integration.

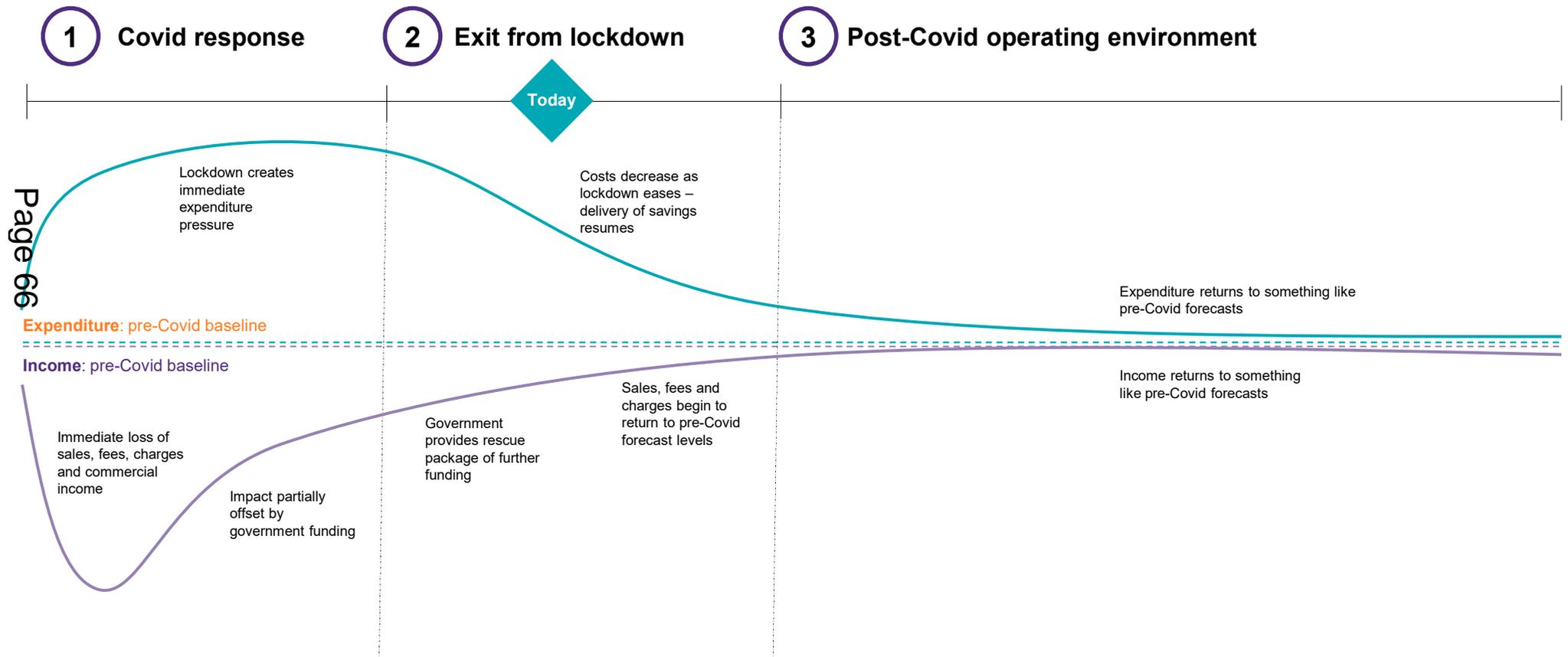
As already noted, places will vary depending on their socio-economic and demographic characteristics, but all councils are working through demand impacts arising from the ongoing pandemic and the associated recession, and ensuring their workforce continue to be supported to ensure they remain personally resilient.

Until a vaccine has been successfully produced and rolled out, the public health threat remains, and there are likely to be further local lockdowns, such as we have seen in Leicester and towns in the north west of England. There could be difficult trade offs for national and local politicians to consider to avert further waves of restrictions. For example to keep schools open after they return in September, will there be a need to increase restrictions elsewhere to ensure the cases of Covid-19 remain at a management level?

Local government has always demonstrated a remarkable resilience in managing significant challenges, including ten years of austerity, and being at the forefront of the pandemic response. And whilst much uncertainty remains, we are confident that councils will continue to demonstrate the capacity to lead places, deliver services

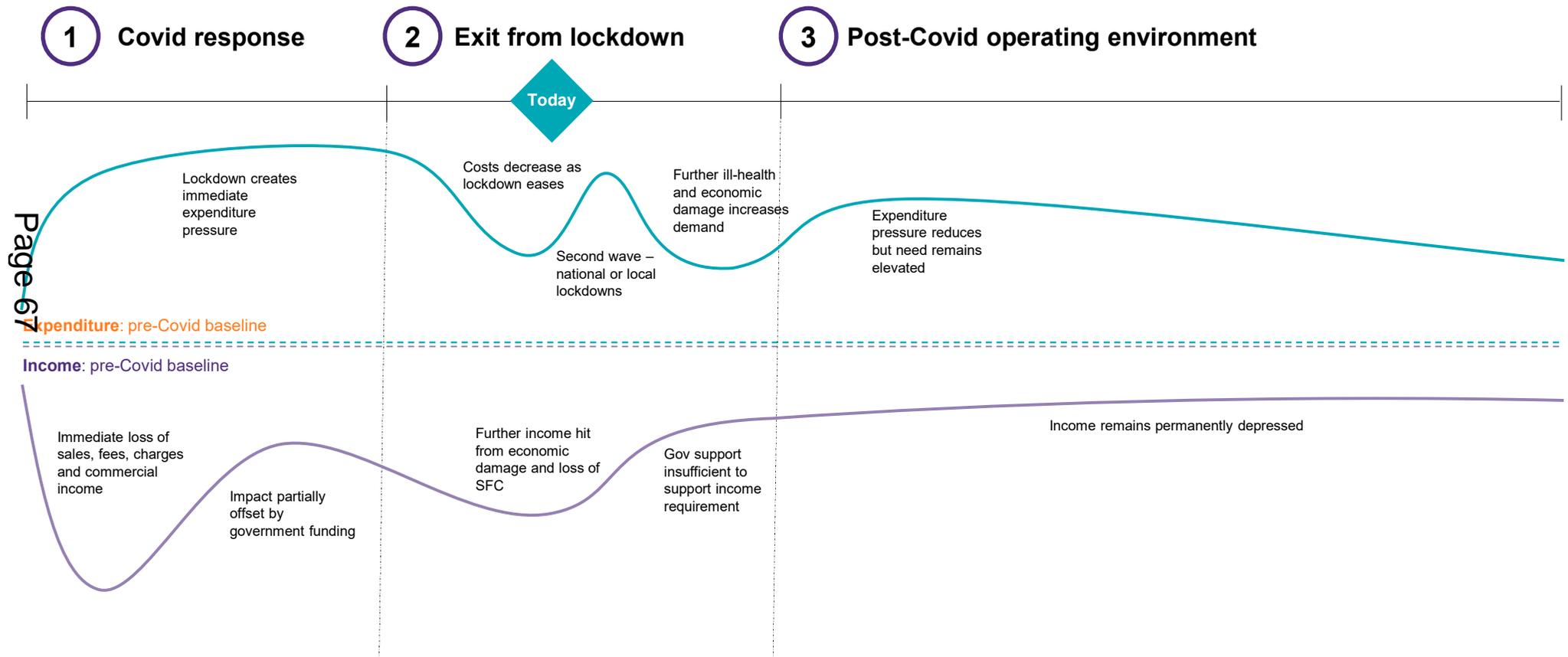
# Example scenarios

## Scenario 1 – swift return to normality



# Example scenarios (Cont'd)

## Scenario 2 – second wave and ongoing disruption



# Scenarios and hypotheses

## Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
<b>People &amp; community</b> 	<ul style="list-style-type: none"> <li>Multiple lockdowns and ongoing disruption</li> <li>Community dependency and expectation of sustained response</li> <li>Turbulence and activism within the VCS</li> <li>Socio-economic inequality is compounded</li> <li>Failure of leisure and cultural services</li> </ul>	<ul style="list-style-type: none"> <li>Smooth exit from lockdown to a “new normal”</li> <li>Community mobilisation is channelled into ongoing resilience</li> <li>Strengthened VCS relationships and focus</li> <li>Systemic response to inequality is accelerated</li> <li>Leisure and cultural services adapted to social distancing</li> </ul>
<b>Business &amp; economy</b> 	<ul style="list-style-type: none"> <li>16% reduction in GVA for 2020 based on OBR reference scenario</li> <li>Slow / uneven economic recovery and “long tail” on unemployment</li> <li>Central gov / BEIS focus investment on areas furthest behind</li> <li>Loss of tourist &amp; student spend causes unmitigated damage</li> <li>‘V’ shaped recovery results in 2-3 year recovery period</li> </ul>	<ul style="list-style-type: none"> <li>5-10% reduction in GVA</li> <li>Rapid economic recovery with employment levels close behind</li> <li>Central government “back winners” with investment</li> <li>Adaptation allows resumption of tourist and student economy</li> <li>Business base is weighted towards growth sectors</li> </ul>
<b>Health &amp; wellbeing</b> 	<ul style="list-style-type: none"> <li>Increased demand and escalating need due to fallout from lockdown</li> <li>Newly-vulnerable cohorts place strain on the system</li> <li>Unit costs increase further as markets deteriorate and providers fail</li> <li>SEND transport unable to adapt to social distancing</li> <li>Imposed disruption of care system</li> </ul>	<ul style="list-style-type: none"> <li>Positive lifestyle changes and attitudes to care reduce demand</li> <li>Needs of newly vulnerable cohorts met through new service models</li> <li>New investment in prevention and market-shaping manage costs</li> <li>New ways of working leading to stronger staff retention</li> <li>Locally-led reform of health and care system</li> </ul>
<b>Political &amp; regulatory</b> 	<ul style="list-style-type: none"> <li>Local government side-lined by a centralised national recovery effort</li> <li>Unfunded burdens (e.g. enforcement and contact-tracing)</li> <li>Councils in the firing line for mismanaging recovery</li> </ul>	<ul style="list-style-type: none"> <li>Local government empowered as leaders of place-based recovery</li> <li>Devolution and empowerment of localities</li> <li>Councils at the forefront of civic and democratic renewal</li> </ul>
<b>Environment</b> 	<ul style="list-style-type: none"> <li>Opportunity missed to capture and sustain environmental benefits</li> <li>The end of the high street / town centres</li> <li>Emissions and air quality worsened by avoidance of public transport</li> <li>Capital programmes stuck</li> </ul>	<ul style="list-style-type: none"> <li>Ability to invest in transport modal shift and green infrastructure</li> <li>Changed working patterns rejuvenate town centres</li> <li>Sustained impact on emissions due to new behaviours</li> <li>New, shovel-ready infrastructure programmes</li> </ul>
<b>Organisational</b> 	<ul style="list-style-type: none"> <li>Inadequate funding forces fiscal constraint</li> <li>Working practices return to status quo – increased operating costs</li> <li>Imposed structural change within the place</li> <li>Austerity 2</li> <li>Commercial portfolio becomes a liability</li> </ul>	<ul style="list-style-type: none"> <li>Adequate funding enables a programme of targeted investment</li> <li>Learning and adaptation to new operating environment</li> <li>Energised system-wide collaboration and reform</li> <li>Fiscal reform and civic renewal</li> <li>Commercial portfolio reshaped for economic and social gain</li> </ul>

# What strategy is needed in response?

## *From response to recovery*

### **Learn, adapt and prioritise**

- Develop and test hypotheses around impact on place, services, operations, finances
  - Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

## *Mitigating the worst case*

### **Consolidate and build resilience**

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

## *Steering towards the best case*

### **Invest in renewal**

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

# In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

## Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

## Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?

### Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

### Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

### Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

### Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/uk/2020/impact-of-covid-19-on-financial-reporting-local-government-sector.pdf>



# Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

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The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

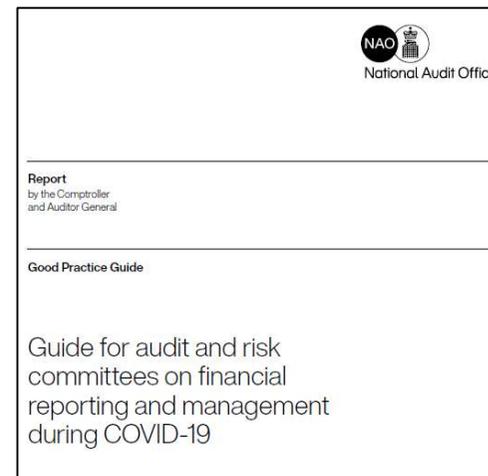
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



# Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

• **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

• **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.

• **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

• **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

• Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

# Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into place-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

- Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.
- In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.
- Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnessed sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

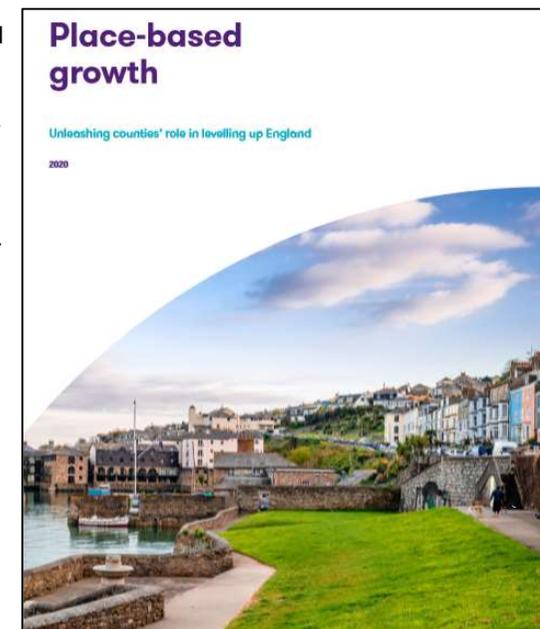
- Rather than a focus on the 'north-side divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places – and focus investment decisions on closing that gap and levelling up local economies.

- The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.
- Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.
- Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.

- The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/>



# CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

# Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>



# Agenda Item 5

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE	
Key Decision	NO	Item No.
Ward	ALL	
Contributors	Head of Corporate Resources A-FACT Group Manager	
Class		Date: Sept 2020

## 1. Purpose of the Report

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

## 2. Executive Summary

- 2.1. There are no major changes to report. The detail is provided in the body of the report for which the highlights are:
- A-FACT have included high level information for the work undertaken for Lewisham Homes.
  - The number of employee related frauds remains low but the trend of undeclared business interest or other conflicts of interest continues.
  - CIFAS data obtained as part of our pilot has assisted with identifying 78 Disabled Badges still registered to residents who are deceased. We are looking to use CIFAS data across other areas to identify potential fraud.

## 3. Recommendations

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

## 4. Special Investigations

- 4.1. Details of work and comparative figures for the same period in the prior year are shown below, along with the previous two years full year figures for reference.

Summary of Special Investigations work	2019/20	2018/19	Change		2017/18	2016/17
	FY	FY	Number	%	FY	FY
b/f	19	17	2	12%	24	8
New	121	118	3	3%	141	130
Closed	103	116	-13	-11%	148	114
c/f	37	19	18	95%	17	24
Of which						
E'ee & agency cases	6	14	-8	-57%	15	13
- resulting in action	4	6	-2	-33%	10	6
Other cases	97	102	-5	-5%	133	101
- resulting in action	65	77	-12	-16%	96	53

4.2 There were two new staff related cases in the last quarter both identified during the Pre-employment vetting process.

- Applicant was found to be subletting their social tenancy and living elsewhere. The offer of employment was withdrawn and the social tenancy recovered.
- Applicant admitted that they were in arrears of Council Tax of over £8k. Whilst the Council does on occasion allow potential staff to make an arrangement to repayment the circumstances of this case was found to be incompatible with their future position in the Council and the offer was withdrawn.

Analysis of employee fraud	2019/20	2018/19	Change		2017/18	2016/17
	FY	FY	Number	%	FY	FY
Dismissed/resigned & Convicted	0	0	0	0%	2	0
Resigned/Dismissed incl agency staff	1	1	0	0%	2	0
Other disciplinary or monies repaid (incl not employed)	2	2	0	0%	5	1
Prosecuted for false application	1	0	1	100%	0	1
Management action incl process review	0	2	-2	-200%	1	2
Identity or other issue cleared	0	1	-1	-100%	0	1
<b>Total</b>	<b>4</b>	<b>6</b>	<b>-2</b>	<b>-33%</b>	<b>10</b>	<b>5</b>

4.3 “Other Cases” include Blue Badge fraud, fraud linked to Direct Payments for Care, Council Tax fraud and reviews of operational processes to prevent or deter fraud. The actions taken are summarised in the table below.

Analysis of Non Employee Case 2019/20	Total Cases	Fraud Proven/ Process review	Evidence provided to assist assessment	Req for Info	NFA
Blue Badge	18	11	0	0	7
Direct Payments for Care	4	2	2	0	0
Business Rates	2	2	0	0	0
Spec Invest Other cases	73	10	1	37	25
<b>Total</b>	<b>97</b>	<b>25</b>	<b>3</b>	<b>37</b>	<b>32</b>
Blue Badge Proactive (Not included in above figures)	79	78			1

### Blue Badge Misuse

4.4 A-FACT undertake proactive exercises jointly with the Blue Badge Team and Parking enforcement to address this issue. We also respond to individual reports of misuse. We confiscate badges, issue Fixed Penalty Notices and warnings, and undertake a few prosecutions in the most serious of cases. We currently consider this a proportionate response to this issue bearing in mind our limited resources. Where we do prosecute the penalties imposed by the courts have been very weak and this does little to encourage future prosecutions. The three most recent prosecution cases demonstrate this;

- Van driver using deceased mothers badge Fine £220, Costs £363
- Driver using stolen badge Fine £220, Costs £240
- Garage owner using lost/stolen badge to park cars undertaking repair Fine £293, Costs 240

### Blue Badge (CIFAS Match)

4.5 A-FACT matched Blue Badge data against CIFAS records as part of their pilot with CIFAS. As a result of which 79 cases were identified of which 78 have been confirmed as deceased. The next of kin had not returned the users badge, which they are required to do, and therefore the badge was at risk of misuse.

4.6 A-FACT are undertaking more checks for other services across the council to confirm identity, address history and/or circumstances as part of an assessment of a claim for a service or support. As the assessment of these claims can be impacted by a number of factors we are now reporting on all cases where significant evidence is provided to assist with the application.

### 4.7 Pre-employment Checks

A-FACT support Human Resources by undertaking part of the Council's recruitment checks. Each potential employee of the Council is required to complete a pre-employment check focusing on any issues relating to Council tax, benefits, rent and personal business interests which may cast doubt on the individual's integrity or potential conflicts for their work going forward. This process also applies to agency staff.

Summary of pre-employment checks	2019/20	2018/19	Change		2017/18	2016/17
	FY	FY	Number	%	FY	FY
Checks completed	292	354	-62	-18%	301	268
Action taken	36	40	-4	-10%	60	30

The 36 cases can be broken down as follows

- 11 repayment plans agreed to repay outstanding Council tax totalling £25k
- 3 cases where SPD removed or benefits overpayments raised £11,537
- 14 Company directorships declared and checked for conflicts of interest
- 4 directorship not declared but subsequently agreed.
- 4 other potential conflicts or minor issues resolved prior to employment

4.9 A further two cases results in offers of employment being withdrawn. These are detailed in section 4.2 of this report

**Lewisham Homes**

4.8 A-FACT continues to undertake investigation work on behalf of Lewisham Homes under a Service Level Agreement which has now been extended for 2020/21. This to equivalent to half an investigators time.

4.9 In the year to date two investigations have been undertaken into employee conduct issues. Both employees resigned following interview by A-FACT but before disciplinary action could be taken.

4.10 A detailed investigation was undertaken into the processes relating to the Repairs service as a result an improvement plan has been agreed by Lewisham Homes to address the issues raised.

4.11 We were able to recover one tenancy and contribute to Lewisham Homes cases to recover several more. In addition another case was prepared for prosecution under the Prevention of Social Housing Act following recovery of his tenancy, unfortunately the tenant then left the country and is suspected to be working in the Far East. We are monitoring this case as we believe he may return to the UK shortly.

4.12 109 Pre-employment checks have been undertaken for Lewisham Homes, the results of which can be broken down as follows

- 3 Repayment plans agreed to repay outstanding Council tax totalling nearly £4k
- 1 case where CTRS & SPD to the value of £7699 was removed creating an overpayment
- 7 Company directorships declared and checked for conflicts of interest
- 2 Company directorships not declared but subsequently agreed.

**5 RSL and Housing Application Investigations**

5.1 Due to overlaps in the work for our RSL partners and applications for housing and homelessness we have amalgamated the figures for both areas of work. The historical figures have also been amalgamated so that the comparison with previous years can be shown.

Summary of RSL cases & Housing App Investigations	2019/20	2018/19	Change		2017/18	2016/17
	FY	FY	Number	%	FY	FY
b/f	66	37	29	78%	41	7
New	53	63	-10	-16%	115	212
Closed	90	65	25	38%	100	168
C/fwd	29	35	-6	-17%	56	51
Resulting in action	20	29	-9	-31%	45	52

5.2 The number of successful cases has reduced mainly because of the complexity of some recent cases including one case which went to the Crown Court for trial by jury. Following the unanimous verdict the fraudulent tenant was jailed for 18 months for

subletting his tenancy for at least 10 years. They subsequently lodged appeals against both conviction and appeal despite the unanimous verdict. The appeals were unsuccessful but delayed the recovery of the tenancy. Eviction action is currently on hold due to Covid 19 moratorium but will be progressed once regulations allow.

5.3 A major success this quarter was the recovery of a seven bedroom tenancy in Brockley. Sufficient evidence was presented in the County Court which proved the tenant actually resided in a luxury mansion worth over £3 million, owned by their partner. They had also claimed that various members of their family were resident. Following enquiries it was accepted that two persons linked to the property had a housing need but that the other five had no link to the tenancy.

## 6 Local Government Transparency Code 2014

6.1 The Local Government Transparency Code requires all local authorities to publish data on their anti-fraud arrangements on at least an annual basis.

6.2 The data for 2019/20 is shown along with the two previous years for comparison.

Data required	2019/20	2018/19	2017/18
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to require information) (England) Regulations 2014 or similar powers.	32	32	145
Total number of employees undertaking investigations and prosecutions of fraud	6	6*	6
Total number of professionally accredited counter fraud specialists	6	6	6
Total amount spent by the authority on the investigation and prosecution of fraud	£352,929	£248,437*	£313,559
Total number of cases investigated	272	219	424

\*For 2018/19 it should be noted that whilst there were 6 FTE at the end of the year the team actually held a vacancy for a significant period. Also there was an item of income in the form of a Proceeds of Crime recovery that reduced the authority's expenditure.

## 7 Any other business

7.1 The decision to join the CIPFA Counter Fraud Hub is still on hold. This position will be reviewed as the Hub develops and will proceed if it appears likely that value for money will be obtained.



## Audit Panel

### **Report title: Risk Management Update**

**Date:** September 2020

**Key decision:** No

**Class:** Part 1

**Ward(s) affected:** All

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

### **Outline and recommendations**

1. The purpose of this report is to update members of the Audit Panel on the Council's Strategic Risks, as detailed in the Strategic Risk Register, for the quarter ending 30 June 2020.
2. Audit Panel are recommended to
  - (i) note this report;
  - (ii) note the Strategic Risk Register and
  - (iii) note the risk changes this quarter.

## **1. Recommendations**

1.1 The Audit Panel are recommended to

- (i) note this report
- (ii) note the Strategic Risk Register (Appendix A)
- (iii) note the changes to risk evaluation for the quarter ending 30 June 2020.

## **2. Policy Context**

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

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

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

## **3. Background**

3.1 Risk is identified and managed in accordance with the Council's Risk Management Strategy 2017-20 that is attached at Appendix B. The Risk Management Strategy was previously reported to Audit Panel in December 2017. The Strategy falls due for review/refresh this year and future arrangements are currently under consideration by EMT.

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

3.3 There was no review in March 2020 as meetings were deferred whilst resources were diverted to responding to COVID-19. Separate risk registers and monitoring is in place for the Council's Covid response and reported on regularly to Members via the Overview and Scrutiny Business Panel.

3.4 This reports summarises the risks identified as at the end of June 2020.

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

4.1 There are no new risks and none for deletion in the Strategic Register. The narrative and actions have been updated throughout the register, as detailed in the change log.

4.2 There is one score change in the Strategic register this quarter. 5.A.1. Un-balanced budget has been increased from 10 (amber) to 25 (red) to reflect the additional financial pressures arising from the response to COVID-19.

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

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

## 5. Completion of Planned Actions

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

1.A.1 Decommission old servers slipped from March to Oct 20
1.B.1 Review of corporate H&S arrangements slipped from April to September 2020
2.A.1 I.T. Improvement Plan slipped from March to August 2020
2.A.4 Elections – canvas update slipped from Feb 20

2.B.1 I.T. reliability improvement slipped from December 19 to July 20. Telephony review slipped from March 20 to March 21
2.B.2 Implementation of recs from IT security audit – Shared service to develop and test disaster recovery plan slipped from March to September 2020
4.A.1 Contract mgmt. review & training slipped March to Oct 20
5.A.3 Debt recovery – ASC charging review slipped from April to Oct 20

## 6. Horizon Scan – Future Risks

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

<b>Political</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Integration of elements of the Health system – including commissioning</li> <li><input type="checkbox"/> Changes to funding flows in respect of NNDR and CTax Benefit</li> <li><input type="checkbox"/> Loss of Business Rates income from appeals &amp;/or proposals to devolve to local level.</li> <li><input type="checkbox"/> Trend to free schools and academies.</li> <li><input type="checkbox"/> Governance and operational impact of Devolution agenda for London on Lewisham priorities and services.</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Continuing austerity measures restricting work of local government</li> <li><input type="checkbox"/> Catford and Lewisham regeneration/development, including Bakerloo line, new build priorities, organisation of housing service providers.</li> <li><input type="checkbox"/> Impact of migration on demand for services (short and medium term).</li> <li><input type="checkbox"/> Consequence of Brexit</li> <li><input type="checkbox"/> Changes to National Funding Formula for schools and falling rolls</li> <li><input type="checkbox"/> Recession and contraction of the economy as a result of the COVID-19 pandemic</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Resourcing (skills) mix and staff churn from reorganisation changes</li> <li><input type="checkbox"/> 2011 Census outcomes and predicted demographic changes</li> <li><input type="checkbox"/> Consequence of Brexit</li> <li><input type="checkbox"/> Consequence of COVID-19 and widening inequalities</li> </ul>
<b>Technological</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Estate rationalisation and impact on ways of working</li> <li><input type="checkbox"/> IT and digital strategy and fit for purpose systems to support changing ways of working</li> </ul>
<b>Legislation</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Impact of Universal Credit, Welfare Reform and Public Services legislation</li> <li><input type="checkbox"/> Scale and pace of statutory/legislative changes, e.g. Social Care changes</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Flood and Water Management Act</li> <li><input type="checkbox"/> Carbon Reduction Commitment</li> </ul>

## **7. Summary & Conclusions**

- 7.1 The Council manages risk in accordance with its Risk Management Strategy 2017 – 2020. The risk registers have been reviewed for the period ending 30 June 2020 and the Strategic Risk Register has been updated to reflect the current assessment of risk to the Council.
- 7.2 The register was reviewed and approved at EMT at its meeting on 12 August 2020 and is appended to this report at Appendix A.
- 7.3 There has been one change to the status of one risk this quarter (un-balanced budget has been increased from amber to red) and there are no new risks or risk deletions this quarter.
- 7.4 Risk will be reported quarterly to EMT and Audit Panel for the future.
- 7.5 The Risk Management Strategy will be updated during 2020.

## **8. Financial Implications**

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

## **9. Equalities Implications**

- 9.1 There are none arising directly from this report.
- 9.2 The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.  
In summary, the Council must, in the exercise of its functions, have due regard to the need to:
  - eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.

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

The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for Mayor and Cabinet, bearing in mind the issues of relevance and proportionality.

Members must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

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

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

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

## **10. Legal Implications**

- 10.1 The Authority has a duty to safeguard Council services and assets and seeks to meet that duty by having appropriate risk management arrangements in place.
- 10.2 The Audit & Accounts Regulations 2015 places a responsibility on relevant authorities to ensure that it has a sound system of internal control which:
  - (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - (b) ensures that the financial and operational management of the authority is effective; and
  - (c) includes effective arrangements for the management of risk.
- 10.3 The Council’s Risk Management Strategy 2017-2020 aims to ensure that the Council’s arrangements reflect the current best management practice as detailed in *the Management of Risk in Government Framework* and the *HM Treasury Orange Book – Management of Risk – Principles and Concepts* and is compliant with the statutory requirements as defined in the Audit & Accounts Regulations 2015.

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

- 11.1 There are none arising directly from this report however the impact of climate change (e.g. air quality, extreme weather, flooding, compliance with new

requirements/standards for service delivery) is included in the Strategic Risk Register as a risk that is currently rated as amber.

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

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

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

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

### **Report Author**

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

Strategic Risk Register – June 2020

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

Strategic Risk Register – June 2020

Ref	Risk Category – levels 1 & 2	Lead	RAG	Change / Comment
4B	<b>Performance</b> 1. Failure to manage performance leads to service failure	CEO	<b>A</b>	Narrative updated
<b>5</b>	<b>MANAGE WITHIN BUDGET</b>			
5A	<b>Financial</b> 1. Financial failure unable to maintain delivery within balanced budget 2. Unforeseen expenditure/loss of income from funding streams 3. Loss of income - debt collection	CS	<b>A</b>	Score change from amber to red
		CS	<b>A</b>	Narrative updated
		CS	<b>A</b>	Narrative updated
5B	<b>Bus. Continuity</b> 1. Failure to contain impacts of emergency	CS	<b>A</b>	Narrative updated
<b>6</b>	<b>BREXIT</b>			
6	1. Risk of disruption to Council services and impact on residents/businesses	CS	<b>A</b>	Narrative updated

**Key**

Scoring

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

RAG rating

- △ Red
- Amber
- ★ Green

Direction of Travel

- ↗ Better
- Same
- ↘ Worse

Strategic Risk Register – June 2020

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





Strategic Risk Register – June 2020

Impact		4	3						
Likelihood		3	2						

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when
<b>1. Comply with the Law: B. Regulatory</b>										
1.B.2	Failure to anticipate and respond appropriately to legislative change  <i>Good governance and effective operational performance</i>	●	12	5	△	➔	Director of Financial Services / Assistant Chief Executive	<ul style="list-style-type: none"> <li>Engaged with relevant professional bodies and government departments</li> <li>Established a Brexit working group with regular reporting to EMT in weeks preceeding exit deadline dates</li> <li>Training &amp; communications</li> </ul>	<ul style="list-style-type: none"> <li>Reports to Council on changes necessary to reflect Legislation.</li> <li>Responding to Govt consultations and lobbying in various areas of political change (e.g. CSR, FFR, NNDR, DSG, Social Care etc</li> <li>Brexit Risk Assessments to be informed by preparations for and experience of post 31<sup>st</sup> January 2020 transition</li> <li>Monitor developments in respect of social care, welfare reform, housing, etc.. in particular as they arise from government announcements</li> <li></li> </ul>	Quarterly for CWP  As Dictated Gov't agenda Next milestone Sept 20  On-going. RAs to be updated by Sept 20.  Ongoing
	Impact		4	5						
	Likelihood		3	1						

Strategic Risk Register – June 2020

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



Strategic Risk Register – June 2020

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

Strategic Risk Register – June 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when
<b>2. Secure Services to Users: A. Process</b>										
2.A.3	Strategic programme to develop and implement transformation change does not deliver  <i>Good governance and effective operational performance</i>	△	15	10	●	→	Exec Director for Corporate Services	<ul style="list-style-type: none"> <li>Assistant Chief Executive appointed</li> <li>Change and improvement board arrangements in place</li> </ul>	<ul style="list-style-type: none"> <li>Review and improve change strategy in line with Corporate Priority objectives.</li> </ul>	Sept 20
	Impact		5	5						
	Likelihood		3	2						

Strategic Risk Register – June 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when
2.A.4	Elections not conducted efficiently or effectively  <i>Good governance and effective operational performance</i>	★	5	4	★	➔	Chief Executive/ Head of Law	•	<ul style="list-style-type: none"> <li>Undertake delayed Canvas update</li> <li>Implement Boundary Commission changes once confirmed</li> <li>Prepare for London Mayoral Election in May 21</li> </ul>	<p>Feb 20</p> <p>TBC in 2020</p> <p>May 20</p>
	Impact		5	4						
	Likelihood		1	1						

Strategic Risk Register – June 2020

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

Strategic Risk Register – June 2020

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

Strategic Risk Register – June 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when
<b>2. Secure Services to Users: B. Technology</b>										
2.B.1	ICT infrastructure is not fit for purpose and/or does not meet business needs (2)  <i>Good governance and effective operational performance</i>	●	12	6	△	➔	Executive Director for Corporate Services	<ul style="list-style-type: none"> <li>New MD appointed and implementing improvement plan. Building up application level of clienting to ensure performance is as it should be.</li> <li>Significant update implemented to improve resilience.</li> <li>New security forum in place with work plan to complete and help stabilise infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>New MD for Shared Service appointed</li> <li>Complete work to improve network security – online work done (e.g. cloud solutions) but on premise work (e.g. SharePoint to conclude)</li> <li>Work with Shared Service to raise performance target from 99% to 99.9% reliability as part of new operational plan for 20/21 to be agreed by all partners.</li> <li>Prepare business case and agree phase 2 smarter tech rollout to remaining staff/sites</li> <li>Review 8 x 8 telephony one year ahead of next procurement</li> </ul>	Dec 19 Done  Ongoing Next milestone Mar 20 Done  July 20 (slipped Dec 19)  June 20 Done  June 20 Slipped review as part of digital strategy Mar 21
	Impact		4	3						
	Likelihood		3	2						

Strategic Risk Register – June 2020

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

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Strategic Risk Register – June 2020

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

Strategic Risk Register – June 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when
<b>3. Develop Staff and Partners: A. Workforce</b>										
3.A.2	Failure to maintain sufficient management capacity & capability to deliver business as usual and implement transformation changes  <i>Good governance and effective operational performance</i>  <i>Tackling the housing crisis</i>	●	12	9	★	➔	Chief Executive	<ul style="list-style-type: none"> <li>All EMT posts now recruited to</li> <li>Restructure of director level posts</li> </ul>	<ul style="list-style-type: none"> <li>Complete directorate service changes and recruit as appropriate</li> </ul>	Dec 20
	Impact		4	3						
	Likelihood		3	3						



Strategic Risk Register – June 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when
3.B.2	Failure to agree with partners integrated delivery models for local health and care services  <i>Delivering and defending health, social care, and support</i>	●	12	4	△	➔	Executive Director Community Services	<ul style="list-style-type: none"> <li>Partnerships in place across health and social care.</li> </ul>	<ul style="list-style-type: none"> <li>CEO leading work to agree place based joint working arrangement for LBL and CCG / NHS various milestones. New Strategic Plan with partners required.</li> <li>Continue to develop the strategic commissioning function.</li> <li>Proposals for Commissioning Alliance and provider alliances are being developed.</li> <li>Work with providers to develop an operational model for care at home and Adult Mental Health.</li> </ul>	ongoing  Completed  Ongoing  Sept 20
	Impact		4	2						
	Likelihood		3	2						

Strategic Risk Register – June 2020

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

Ref	Risk	Current status	Current score	Target score	Current v target	Direction of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when
<b>4. Services Represent VFM: A. Performance</b>										
4.B.1	Failure to manage performance leads to service failure (10)  <i>Good governance and effective operational performance</i>	●	12	4	△	➔	Chief Executive	•	<ul style="list-style-type: none"> <li>Transfer reporting of risk to Audit Panel</li> <li>Director sessions, as part of Budget/MTFS planning, to improve alignment and monitoring of key service activity, forecasts etc to assess cost rivers</li> <li>Review of corporate performance monitoring arrangements by EMT</li> </ul>	Mar 20 Done  May 20 Done  TBC
	Impact		3	2						
	Likelihood		4	2						

Strategic Risk Register – June 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when
<b>5. Manage within Budget: A. Financial</b>										
5.A.1	Financial Failure and inability to maintain service delivery within a balanced budget	●	25	4	△	↘	Executive Director for Corporate Services	•	<ul style="list-style-type: none"> <li>Prepare 20/21 Budget based on Spending Review 19 and £16.6m of cuts agreed and update MTFS</li> <li>Reset and rightsize service budgets with Directors to sign for their cash limits to facilitate future service reviews through 2020.</li> <li>Continue with detailed quarterly cuts and service spend financial monitoring, including MHCLG returns</li> </ul>	Feb 20 Done  Mar 20 Done  Ongoing
	Impact		5	4						
	Likelihood		5	1						

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*Good governance and effective operational performance*

Strategic Risk Register – June 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when
<b>5. Manage within Budget: A. Financial</b>										
5.A.2	Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams	●	12	6	△	➔	Executive Director for Corporate Services	•	<ul style="list-style-type: none"> <li>Prepare for 75% Business Rates devolution</li> <li>Pension Fund triennial actuarial valuation underway</li> <li>Assess impact of delayed CSR &amp; FFR with Autumn Chancellor's budget.</li> <li>Actuarial review of insurance provisions and reserves</li> </ul>	<p>As per Gov't timetable that has been delayed</p> <p>Done – next milestone Mar 20</p> <p>On hold</p> <p>Sept 20</p>
	<i>Good governance and effective operational performance</i>									
	Impact		4	3						
	Likelihood		3	2						

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Strategic Risk Register – June 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct' n of travel	Responsib le	What have we done & source of assurance	What are we planning to do	By when
<b>5. Manage within Budget: B. Business Continuity</b>										
5.B.1	Failure to effectively contain the impacts of an emergency affecting the public, business, environment and/or organisation (1)  <i>Building safer communities</i>	●	10	8	★	➔	Executive Director Corporate Services	<ul style="list-style-type: none"> <li>Ongoing – LALO, LACO &amp; Gold training delivered</li> <li>London wide standardised training packages are now available and training has commenced and will run throughout 2020.</li> </ul>	<ul style="list-style-type: none"> <li>Run exercise safer city in line with new resilience standards</li> <li>Brexit Corporate Group set up overseeing the implications of Brexit including developing an action plan. Updates provided to EMT, the Mayor and Cabinet</li> <li>Run a cyber-exercise in 20/21</li> </ul>	<p>Following Gov't steer</p> <p>Next review Sept 20</p> <p>Sept 20</p>
	Impact		5	4						
	Likelihood		2	2						

Strategic Risk Register – June 2020

Ref	Risk	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What have we done & source of assurance	What are we planning to do	By when
<b>6. BREXIT</b>										
6.A.1	Brexit: Risk of disruption to council services and impact on residents and businesses operating in the borough  <i>Good governance and effective operational performance</i>	●	8	8	★	➔	Responsible – Head of Corporate Policy and Governance	<ul style="list-style-type: none"> <li>Corporate Group set up to manage and plan mitigation. Meets fortnightly. Emergency planning liaising with London Resilience as information and guidance is released. Regular briefing to EMT and Mayor and Cabinet</li> </ul>	<ul style="list-style-type: none"> <li>Review all Brexit risk assessments for end January or next possible exit date</li> <li>Maintain a watching brief as negotiations for next phase begin</li> </ul>	Sept 20
	Impact		4	4						
	Likelihood		2	2						



# **RISK MANAGEMENT STRATEGY**

**2017 – 2020**

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# Risk Management Strategy

The previous Risk Management Strategy (2013-2017) has been reviewed and amended to ensure that it reflects current best management practice as detailed in *the Management of Risk in Government Framework* and is aligned with BS ISO: 31000 and the *HM Treasury Orange Book – Management of Risk – Principles and Concepts*. Our risk management arrangements must be compliant with the statutory requirements as defined in the Audit & Accounts Regulations 2015.

The need for effective risk management is heightened yet further as we face the significant challenges of delivering unprecedented cost reductions whilst maintaining high quality services. The scale and pace of change and the need for more creative service delivery models adds to the complexity in identifying and managing risks.

## **1.0 Introduction**

The London Borough of Lewisham has developed and adopted this Risk Management Strategy, which will be implemented during the period 2017 - 2020, with the objective of meeting its Risk Management Policy and Mission Statement on risk management:

*The Risk Management Policy of the London Borough of Lewisham is to adopt good practice in the identification, evaluation and cost-effective control of risks to ensure that they are eliminated or managed to an acceptable level and the benefits and outcomes of opportunities are maximised.*

*Risk will be considered in every aspect of our business. Risk management will be at the heart of our management practice to ensure that we will be in a stronger position to deliver excellent, efficient services in accordance with our business objectives and the authority's exposure to risk will be effectively managed and opportunities optimised.*

*All employees will understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided to equip and enable employees to meet their responsibilities.*

*A statement on the assessment of the authority's risk management arrangements and their effectiveness will be published annually in the Annual Governance Statement.*

The Risk Management Policy and Strategy aims to equip the Authority to:

- Manage risks in accordance with its risk appetite, thereby enabling it to achieve its objectives more effectively.
- Integrate identification and management of risk into the culture of the Authority.
- Harness risk management to identify opportunities and maximise benefits and outcomes.
- Anticipate and respond in a proactive and timely manner to all social, environmental and legislative changes and directives that may impact delivery of its objectives
- Demonstrate increasing confidence in its ability to deal effectively with uncertainty presented by internal and external pressures.

The Policy and Strategy will be reviewed triennially to ensure that it continually reflects the Authority's business needs, adds measurable value and remains challenging and responsive to Government direction and requirements.

This strategy will assist the Authority in achieving compliance with our Code of Corporate Governance, 'Risk Management and Internal Control' and our Risk Management Policy. It will also ensure that the Council meets the statutory regulations for risk management, as identified in the Audit and Accounts Regulations 2015 and follows best practice as defined by CIPFA.

Lewisham recognises the benefits of effective risk management as:

Strategic
Ensure the health, safety and security of service users, citizens & staff
Meet changing needs of customers/citizens, including disadvantaged groups
More efficient use of management time through improved ability to deliver goals/targets/objectives
Improved management information resulting in more informed decision making. Supports transparency and accountability.
Reducing service disruption (and associated costs)
Greater financial control and reduction in level of uncontrolled expenditure
Systematic approach to identifying and reducing risks
Compliance with statutory regulations

Operational
Reducing the likelihood of injury to citizens and employees
Protect service delivery and its quality
User focussed service delivery, accessible by all, including disadvantaged groups
Avoid financial loss through fraud and corruption
Preventing damage to property and equipment
Minimising the cost of damages to the Council
Inform the appropriate method of risk financing and reducing insurance costs
Protect the image and reputation of the Authority

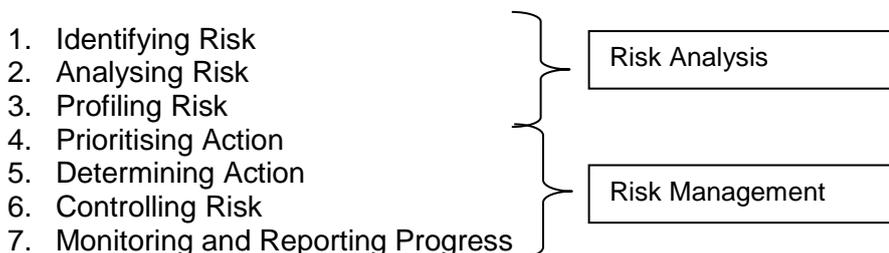
## **2.0 Objectives**

The Risk Management Objectives of the London Borough of Lewisham are to:

- Ensure the health, safety & security of service users, citizens and staff
- Safeguard vulnerable children and adults to help prevent injury and damage
- Help to achieve Corporate priorities
- Integrate risk management into the culture of the Authority
- Identify, evaluate and manage risk in accordance with good practice
- Ensure legal and regulatory compliance as a minimum standard
- Anticipate and respond to changing social, environmental and legislative requirements
- Raise awareness of the need for risk management in all service areas
- Mitigate risks
- Enhance corporate governance of risk
- Optimise opportunities
- Reduce the cost of risk
- Safeguarding Council assets

## **3.0 Risk Management Framework**

This strategy approves a framework for risk analysis and risk management, based on a seven-step plan and in accordance with published guidance.



Risks will be identified at five levels: corporate strategic risks, directorate risks, service level risks, project management risks and partnership risks.

### 3.1 Strategic Risks

Strategic Risks will be taken into account in judgements about the medium to long-term goals and objectives of the Council. They may be risks relating to changes in the external context or significant financial constraints within which we operate and examples are given in Table 1.

Table 1: Types of Strategic Risk

<b>1</b>	<b><u>Comply with the Law</u></b>
1A	<b>Governance</b> e.g. Compliance with the Constitution (decision making etc), Judicial Review; Investigations; Data Breaches etc
1B	<b>Regulatory</b> e.g. Breach of Statutory Duties; Health & Safety Breach; Poor Inspection outcome (OFSTED, CQC etc)
<b>2</b>	<b><u>Provide Services to Users</u></b>
2A	<b>Process</b> Lack of Policies/Procedures; Poor Internal Audit; Customer Needs not met; Complaints; Poor Customer Satisfaction etc
2B	<b>Technology</b> System Availability; System Does Not Meet Business Needs; Failure in Delivery of Digital Programme etc
<b>3</b>	<b><u>Developing Staff &amp; Partners</u></b>
3A	<b>Workforce</b> PES; HR Casework; Employee Relations; Recruitment and Retention issues etc
3B	<b>Partnerships</b> Breakdown of Relationships; Conflicting Objectives etc
<b>4</b>	<b><u>Services Represent Value for Money</u></b>
4A	<b>Procurement</b> Non-compliance with Procurement Regulations; Use of Corporate Procurement Procedures; Contract Monitoring not Ensuring VFM etc
4B	<b>Performance</b> Timely, Accurate, Complete Data; Lack of Clear Objectives; Incomplete Records; Effective Scrutiny of Outcomes v Objectives etc
<b>5</b>	<b><u>Manage Within Budget</u></b>
5A	<b>Financial</b> Budget Overspend; Non-Delivery of Savings; Compliance with Standing Orders/Financial Regulations/Schemes of Delegation etc
5B	<b>Business Continuity</b> BCPs Not Maintained; BCPs Not Tested; Adverse Weather; Major External Incident etc

### 3.1.1 Strategic Risk Analysis

Executive Directors will work with their management teams to identify potential significant risks on a six to twelve month rolling horizon and analyse those risks in two ways; by the likelihood or frequency of the risk event occurring and by the severity/impact on the organisation of the risk event occurring.

Risks identified will be linked to the corporate priorities and to the following risk categories to facilitate analysis of cross-cutting risks and identify mutual benefits.

#### Risk Categories

1. Compliance with the Law
2. Provide services to users
3. Developing staff and customers
4. Services represent value for money
5. Manage within budget

Each Directorate will produce a Directorate Risk Register quarterly, specifying the likelihood or frequency of the risk event occurring and the severity/impact on the organisation..

Each risk will be assessed to determine the current status after existing mitigation and control, and then a target status (or 'risk appetite') will be set for the risk. The scoring will be in accordance with the risk matrix and descriptors at Appendix 2. The register will identify an officer responsible for the risk and identify what action will be taken for any risks that are off target, together with dates by when the actions will be taken.

The Directorate Registers will be reported quarterly to both the Executive Management Team (EMT) and the Internal Control Board (ICB) (Terms of Reference for this group are at Appendix 4) for scrutiny and monitoring.

Directorate Management Teams will review their risk registers and undertake a 'horizon scan' of potential emerging risks on a quarterly basis and note these in the register for future monitoring.

The Executive Management Team (EMT) forms the ICB, which will have an independent non-executive chair, and will meet quarterly. This Board will identify key corporate strategic risks, drawn from the Directorate Risk Registers, and score them in accordance with the matrix and descriptors thereby creating and monitoring the Corporate Risk Register

### 3.1.2 Strategic Risk Management

The risk assessment matrix adopted by Lewisham is shown in Figure 1 below.

Figure 1: Risk Assessment Matrix

LIKELIHOOD	High	5	5	10	15	20	25
		4	4	8	12	16	20
	Med	3	3	6	9	12	15
		2	2	4	6	8	10
	Low	1	1	2	3	4	5
			1	2	3	4	5
			Low		Med		High
			IMPACT				

Strategic Risk Descriptors are attached at Appendix 2.

Some strategic risks may already be well managed, some may require further mitigation whilst others may be beyond the control of the Council and may simply require active monitoring and contingency arrangements. Actions determined to manage risk may include:

<b>Avoid</b>	Terminate the risk – by doing things differently and thus removing the risk where it is feasible to do so. Countermeasures are put in place that either stop the threat or problem from occurring or prevent it having any impact on the project or business.
<b>Eliminate or Reduce</b>	Treat the risk – take action to control it in some way where the actions either reduce the likelihood of the risk developing, or limit the impact to acceptable levels.
<b>Transfer</b>	This is a specialist form of risk reduction where the management of the risk is passed to a third party such as an insurance policy or penalty clause so that the impact of the risk is no longer an issue for the Council. Not all risks can be transferred in this way however.
<b>Accept</b>	Tolerate the risk - because the activity is desirable or mandatory and nothing can be done at a reasonable cost to mitigate it, or the likelihood and impact of the risk occurring are at an acceptable level. The cost of controls must be proportionate to the risk.

Details of existing internal controls for each risk will be listed in the Directorate Risk Registers. Links to other reporting mechanisms (e.g. performance management, business continuity management) or supplementary control documents (e.g. service plans, business continuity plans, action plans arising out of internal and external reviews etc) are to be noted to provide assurance that risks are systematically controlled.

Where existing controls are non-existent or inadequate, 'SMART' action plans (specific, measurable, achievable, realistic and timely) will be detailed in the Directorate Risk Registers. Risks that have been identified will be reported and monitored on a regular basis according to the Reporting Framework (See Section 4.0 Roles and Responsibilities).

The RAG rating for each strategic risk will be reported quarterly together with performance against target and direction of travel against last quarter.

### 3.2 Operational Risks

Operational Risks will be encountered as part of the day to day Council business. They are risks that may affect our ability to deliver satisfactory service provision. Heads of Service will be responsible for analysing risks that could affect the ability to deliver services and meet objectives in their operational area.

#### 3.2.1 Operational Risk Analysis

Risk will be considered as part of the Service Planning process and the key risks for the forthcoming year will be identified in Service Plans. The key risks in each of the categories will be assessed in terms of likelihood and impact, in accordance with the following key and as detailed in the Risk Assessment Guidance at Appendix 3.

Judgement	Score
Very High	5
High	4
Medium	3
Low	2
Very Low	1

Mitigation measures will be recorded and monitored as part of the routine service planning process, business continuity and performance management monitoring processes, Heads of Service will work with their teams to monitor, identify and analyse operational risks on a six to twelve month rolling horizon.

Risks for escalation to the Directorate Risk Register are to be reported to Directorate Management Teams.

### 3.3 Project Management

A project is generally defined as a time limited activity, designed to deliver a particular objective, through making a change of some kind. In a climate of continuous change and service development, project-related activity is increasing across the Council. It is vital that risks to a project are identified and assessed, with necessary controls put in place to ensure that a project is delivered successfully.

The management of project risks is an important element of the Lewisham Project Management training course, and the approach adopted in the course is consistent with that of the overall Risk Management Strategy. Additionally, the Project Management Guide also sets out the methodology to analyse and manage risks to a project's success which is consistent with the risk management strategy.

Identification and management of project risks are documented by the use of a Risk Register in the Project Initiation Document (PID). Monitoring of major projects and any associated risks is conducted through the Directorate Project Review Groups (PRGs), the Corporate Project Board and the Monthly Management Report.

The roles and responsibilities relating to management of project risk are summarised in the following table:-

Group/Individual	Roles and Responsibilities
<b>Project Managers</b>	<ul style="list-style-type: none"> <li>• Identify risks to project and assess the impact and likelihood of such risks through completion and monitoring of Project Initiation Document (PID)</li> <li>• Nominate owners for each risk to the project and monitor actions to control risks, instigating contingency actions where necessary</li> </ul>
<b>Programme Management Team</b>	<ul style="list-style-type: none"> <li>• Provide advice, training and support to Project Managers</li> <li>• Support the Lewisham project monitoring infrastructure</li> </ul>
<b>Corporate Project Board &amp; Project Review Groups (PRGs)</b>	<ul style="list-style-type: none"> <li>• Initial and ongoing review of project risk in sign-off of PIDs and progress reporting</li> <li>• Notify DMT/EMT of any risks that affect the project's ability to meet corporate objectives</li> <li>• Informs the Monthly/Quarterly Management Report notifying EMT and Mayor &amp; Cabinet of risk status against ten corporate priorities.</li> </ul>

### 3.4 Partnership Risk Management

Partnership working continues to play an increasingly critical role in achieving the Council's vision. Partnerships often involve complex types of risk, which can, if not correctly managed, adversely affect the delivery of services to end users.

Managing risk in our partnerships is therefore an important element of the Council's risk management strategy. The Council will continue to develop and build on the good practice applied in the governance of its key partnerships and the management of risk associated with them.

For Strategic Partnerships, the Council will maintain a risk register identifying the risks to the Council (not the individual members or partnership overall) in accordance with the previously referenced framework. It is recognised as good practice that each partnership shares its risk register with the individual partner organisations so they are each informed of the risks that the partnership faces.

In addition, the Council will manage its own risks associated with the partnership and each directorate will reflect these in its directorate risk registers.

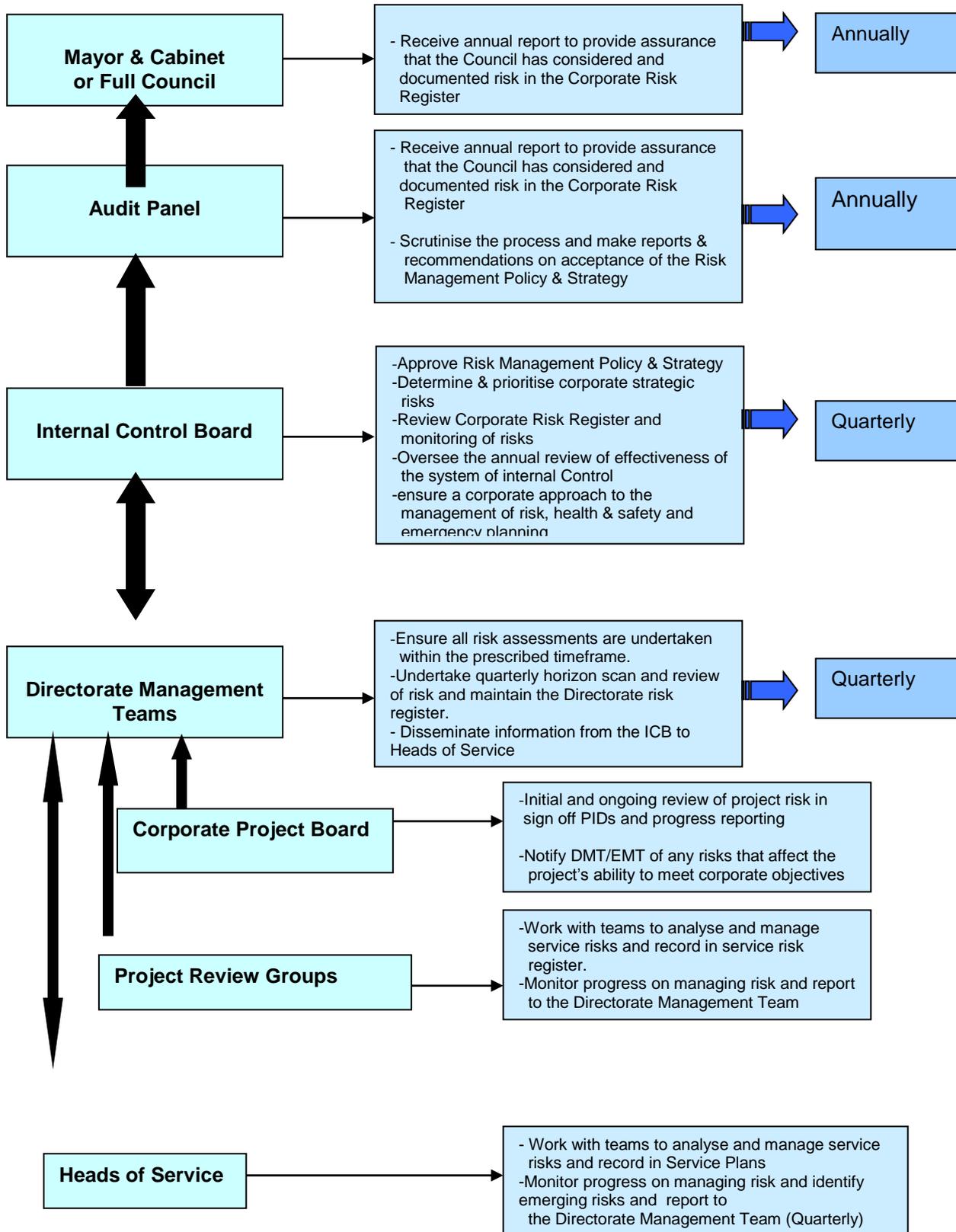
#### **4.0 Roles and Responsibilities**

The Cabinet Member for Resources and the Executive Director for Resources & Regeneration will drive the process as risk management champions but managing risk is the responsibility of everyone within the organisation.

This is not a new responsibility, but formalisation of good working practices. Training will be provided to key personnel on an ongoing basis and included within induction training to ensure that Members and Officers are equipped with the necessary skills and knowledge to enable them to manage risk within their own area of responsibility and contribute to the Council's management of risk overall.

Particular roles and responsibilities are summarised in Table 3 (overleaf).

Table 3: Reporting Framework for Risk Management



## **5.0 Reporting & Review Framework**

The main reporting mechanism will be by use of the Risk Registers. A risk register form is at Appendix 1. Risks, even at a strategic level, do not remain static and therefore the Risk Registers will be regularly reviewed and kept up-to-date within the performance framework to remain valid.

DMTs will consider risk no less frequently than quarterly and update their directorate's risk registers and disseminate information from the ICB to Heads of Service. Risks associated with any new initiatives and activities will be formally identified, appraised and added to the Risk Register at the appropriate level.

The ICB will receive quarterly updates on progress against the Annual Governance Statement (AGS) Action Plan. The annual review of the AGS will be undertaken by the AGS Working Party and reported to the Internal Control Board at the end of each financial year. The Annual Governance Statement on Internal Control will be published with the Final Accounts.

## **6.0 Training and Development**

An e-learning module has been launched to ensure that Members, Officers and key Partners have access to materials to equip them with the necessary knowledge and skills to:

- Identify and evaluate risks
- manage the risks involved with their service area
- develop their understanding of what risk management is
- understand their responsibilities for managing risks.

Targeted training will be delivered on an ongoing basis.

## **7.0 Measuring our Success**

In reviewing this strategy it is vital that we make a judgement about the level of success it has achieved. In order to do this, the information in Table 5 below will be considered.

Table 5: Measures of Success

Objective		Measure of Success
1	Help us achieve the Council's Corporate priorities	- No negative impact of unidentified risks on delivery of corporate priorities
2	Integrate risk management into the culture of the Authority	- Completeness of Risk Registers - inclusion of risk in reports requiring decisions - links to service plans and performance management
3	Identify, evaluate and manage risk in accordance with good practice	- Positive internal and external inspection reports
4	Anticipate and respond to changing social, environmental and legislative requirements	- Enhanced planning and prioritisation - Reduction in the number of urgent/ retrospectively applied decisions - Reduction in legal challenge
5	Prevent injury and damage and reduce cost of risk	- No increase in number of liability insurance claims paid - Cost of Council contribution to insurance claims
6	Raise awareness of the need for risk management in all service areas	- Risk management included in induction and training programme
7	Mitigate risks	- Reduction in the number of risks colour-coded red against target
8	Enhance corporate governance of risk	- No deterioration in positive external inspection reports - Increase in positive assurance opinions from internal and external audits
9	Optimising opportunities	- Successful completion of projects where benefits outweigh the risks
10	Enhance knowledge sharing and learning lessons	- Lessons learnt from incidents/near misses will be reported at ICB meetings

Risk Name & Category	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What are we planning to do	By when	Notes
<b>1.Compliance with the Law</b>									
<b>1A Governance</b>									
Impact									
Likelihood									
<b>1B Regulatory</b>									
Impact									
Likelihood									
<b>2.Provide Services to Users</b>									
<b>2A Process</b>									
Impact									
Likelihood									
<b>2B Technology</b>									
Impact									
Likelihood									
<b>3.Developing Staff/Partners</b>									
<b>3A Workforce</b>									
Impact									
Likelihood									
<b>3B Partnerships</b>									

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Risk Name & Category	Current status	Current score	Target score	Current v target	Direct'n of travel	Responsible	What are we planning to do	By when	Notes
Impact									
Likelihood									
<b>4.Services Represent VFM</b>									
<b>4A Procurement</b>									
Impact									
Likelihood									
<b>4B Performance</b>									
Impact									
Likelihood									
<b>5. Manage within Budget</b>									
<b>5A Financial</b>									
Impact									
Likelihood									
<b>5B Business Continuity</b>									
Impact									
Likelihood									

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**Appendix 2 – Risk Descriptors** (*Score is highest in any column*)

<b>Likelihood: Of the risk / hazard occurring Impact: Most probable result or consequence of the risk/hazard occurring</b>				
<b>Likelihood</b>				
	<b>Rating</b>	<b>Probability</b>	<b>Description 1</b>	<b>Description 2</b>
Very High	5	> 50%	More likely to occur than not	Regular occurrence. Circumstances frequently encountered - daily/weekly/monthly
High	4	21 – 50%	Likely to occur	Likely to happen at some point within the next 1-2 years. Circumstances occasionally encountered (few times a year)
Medium	3	6 – 20%	Reasonable chance of occurring	Only likely to happen every 3 or more years
Low	2	1 – 5%	Unlikely to occur	Has happened rarely
Very Low	1	< 1%	Will only occur in exceptional circumstances	Very low probability / never before

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**Impact: Most probable result or consequence of the risk/hazard occurring**

Impact		Impact on:			
Rating		Individual	Service	Reputation	Finance / Budgets
Very High	5	Death of an individual or several people	Complete loss of services, including several important areas of service Service Disruption: 5+ Days. Service Resource Diversion: Up to 80%	Adverse and persistent national media coverage. Adverse central government response, involving (threat of) removal of delegated powers. Officer(s) and/or Members forced to resign	£5m +
High	4	Severe injury to an individual or several people, requiring immediate hospitalisation	Major loss of an important service area Service Disruption: 3-5 Days Service Resource Diversion: Up to 60%	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community.	£2.5m - £5m
Medium	3	Injury to an individual, requiring immediate hospitalisation	Major effect to an important service area Service Disruption: 2-3 Days Service Resource Diversion: Up to 40%	Adverse local publicity/local public opinion	£1m - £2.5m
Low	2	Minor injury to an individual or several people requiring hospital treatment	Major effect to an important service area for a short period Service Disruption: 1-2 Days Service Resource Diversion: Up to 30%	Negative local publicity of a persistent nature	£500k - £1m
Very Low	1	Minor injury to an individual requiring hospital treatment	Significant effect to non-crucial service area Service Resource Diversion: Less than 20%	Negative local publicity	£250k - £500k

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### Appendix 3 – Service Planning Guidance/Example

#### Key Example Risk Categories

Risk Name & Category	Risk	Likelihood	Impact	Mitigation
1.Compliance with the Law	Introduction of new external audit arrangements could place additional regulatory demands on the service	4	2	We are in discussion with our new auditor to agree a lighter touch audit for the forthcoming year. As a result, the impact of this risk should not be as significant as originally anticipated.
2.Secure Services to Users	Significant legacy data quality issues across the service	4	5	Additional resource has been identified to undertake data cleansing of management information systems. It is anticipated that this exercise will be completed by June 2017.
3.Developing Staff/Partners	Cultural resistance to change impacts employee relations	3	4	Regular staff communications on Council pressures and changes.
4.Services Represent VFM	Recent redundancies and loss of expert capacity within the team could lead to diminution in service	5	4	Every effort is being made to reduce key person dependency within the service. These efforts should mean that the impact of redundancies will be less severe than would be otherwise.
5. Manage within Budget	Inability to meet savings and deliver service within balanced budget	4	4	Robust savings/decision making process. Monitoring of savings implementations.
1	<b>Comply with the Law</b> Compliance with Constitution (decision making etc), JR, Investigations; Data Breaches: Breach of Statutory Duties; H&S Breach; Poor Inspection			
2	<b>Secure Services to Users</b> Lack of Policies/Procedures; Poor Internal Audit; Customer Needs not met; Complaints; Poor Customer Satisfaction; System; System Failure			
3	<b>Developing Staff &amp; Partners</b> PES; HR Casework; Employee Relations; Recruitment and Retention issues; Breakdown of Relationships; Conflicting Objectives etc			
4	<b>Services Represent Value for Money</b> Non-compliance with/Use of Corporate Procurement Procedures; Contract Monitoring not Ensuring VFM;Accurate, Complete Data; Lack of Objectives			
5	<b>Manage Within Budget</b> Budget Overspend; Non-Delivery of Savings; Compliance with Standing Orders/Financial Regulations; Accurate, Complete Data; Lack of records			

Judgement	Score
Very High	5
High	4
Medium	3
Low	2
Very Low	1

## Appendix 4 – Corporate Internal Control Board Terms of Reference

### Corporate Internal Control Board

#### Membership

- Independent non-executive Chair
- Chief Executive
- Executive Director for Resources & Regeneration
- Executive Director for Children & Young Persons
- Executive Director for Community Services
- Executive Director to Customer Services
- Head of Law
- Group Manager Insurance & Risk
- Head of Corporate Resources (for monitoring and control)

#### **Terms of Reference**

1. To identify and manage key strategic risks that could prevent the Council from meeting its objectives
2. To link risks to the corporate priorities and assess the likely impact and consequences of those risks
3. To allocate responsibilities for controlling identified risks
4. To complete the Corporate Risk Register, reviewing and monitoring this on a quarterly basis
5. To receive regular reports on Internal Control within the Authority
6. To ensure a corporate approach to the management of risk, health and safety and emergency planning
7. To approve the Risk Management Policy and Risk Management Strategy
8. To support the risk management reporting and review framework, detailed in the Risk Management Strategy
9. To oversee the annual review of the System of Internal Control and Annual Governance Statement

#### **1.1 Frequency of Meetings**

Quarterly

#### **1.2 Accountability and Links**

- Informs EMT and Mayor & Cabinet quarterly of the risk status against the ten corporate priorities in Management Report
- Report to Audit Panel annually