



AGENDA AUDIT PANEL

Date: TUESDAY, 15 MARCH 2022 at 7.00 pm

**Council Chambers
Laurence House
London SE6 4RU**

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COUNCILLORS

Councillor James Rathbone
(Chair)
Councillor Joan Millbank
Councillor Susan Wise
Councillor Alan Hall (Vice-Chair)
Councillor Leo Gibbons
Councillor Sakina Sheikh

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: Monday 7 March 2022**



INVESTOR IN PEOPLE

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ORDER OF BUSINESS – PART 1 AGENDA

Item No		Page No.s
1.	Declarations of Interest	1 - 4
2.	Minutes	5 - 8
3.	External Audit Progress Report and Update on Recommendations	9 - 70
4.	Audit Plan 2022/23 & Q3 Progress	71 - 92
5.	Strategic Risk Register Review	93 - 129
6.	Audit Panel PASC Summary 2021/22	130 - 134
7.	Work Programme 2022/23	135 - 138
8.	Exclusion of Press and Public	139
9.	Cyber Security Risk	140 - 150

FIELD_TITLE

Agenda Item 1

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 1
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 15 March 22

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: 15 March 2022

Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 7 December 2021 be confirmed and signed.

MINUTES OF THE AUDIT PANEL MEETING

Tuesday 7 December 2021 at 7pm

PRESENT: Councillor Rathbone, Councillor Sheikh, Councillor Hall and Councillor Millbank

MEMBER(S) OF THE PANEL ALSO JOINING THE MEETING VIRTUALLY: Ian Pleace (Independent Member), Carole Murray (Independent Member), Stephen Warren (Independent Member)

1. Declarations of Interest

Stephen Warren declared an interest in item 4, stating he was undertaking some consultancy work for PSAA Limited that appoint the Council's auditor. The work is of a general nature and in his view did not disqualify him from participation of the meeting

2. Minutes of 16 September, 20 October, 10 November

The minutes of 20 October did not headline which specific audits were being referenced. The Chair suggested that the audits were outlined in previous reports.

The minutes of 16 September were agreed as an accurate record.

The minutes of 10 November were agreed as an accurate record.

3. External Audit

This report was presented by the Director of Finance. The report highlighted the LBL response to the Grant Thornton Audit Findings report, as well as the general progress of the audit:

The Audit was reported at full Council, at the time only one item was outstanding. Progress with these actions is a standing agenda item for the Audit Panel so an update was said will be reported at the March meeting.

The full set of accounts had not been signed off- in the Council report, there was a delegation to the Executive Director for Corporate Resources to finalise the last remaining issue. The findings and this officer response remained as reported in November.

Under one of the actions in the report, "the Officers will review the level of logging available from the Cloud and, if it is available, will implement regular review procedures around it", it was raised that there would be a control risk if it was not available. The presenting officer responded that it has been agreed to have this as a standing item as was done the previous year, so will be updated alongside the concluding of the audit findings.

The report was noted.

4. Internal Audit

The Interim Head of Internal Audit presented this report. She summarised the internal audit activity, since the last meeting:

7 audits had been completed since as listed in the report. From these audits, 36 areas of improvement had been identified, of which 3 were identified as high risk, as detailed in table 2 of the report.

There was 1 limited assurance report for the Payroll audit from the 2020/21 audit plan. Work from the 2021/22 audit plan had since begun after approval in June. 68% of the audits from the plan have begun 9% had reached final report. Since the audit was agreed in June, there has been some pressure on internal audit resources, making it not possible to complete the plan with the current resource. All of the financial systems audits will be completed, however it was agreed by executive management that the audits in table 3 are deferred.

Discussing management progress in regards to implementations of audit recommendations, she stated that 221 actions had been tracked since April, and of those, 190 actions had been assessed as completed or no longer applicable. The rest are in progress.

A new Head of Internal Audit has been appointed and will start in January.

The deferral of the CYP budget audit was raised by Members, and why it is not proceeding considering it will help improve the service. It was responded that an audit of the budget was carried out last year, focusing predominantly on social care, and the recommendations of this are being followed up. The new Head of Finance has a strong background in social care and his input will ensure that the recommendations will be implemented. It was recommended by Members that management review/commentary from CYP and revised dates be included in the tables referring to deferrals of audits.

The Chair also highlighted that not completing reconciliations on time, referring to the payroll audit of the 2020/21 audit plan is not good for morale and is particularly concerning for employees of the Council to ensure they are paid correctly. He stated that it is important to see an improvement of this.

Action: CYP officers to be invited to discuss their ability to review and implement audit recommendations

The report was noted.

5. Strategic Risk

The Director of Finance presented this report. The report provided an update on Council's Strategic Risks, as detailed in the Strategic Risk Register, for the quarter ending 30 September 2021.

In terms of the risks, Information Governance Failure has reduced from red to amber following implementation of actions. ICT infrastructure score has also reduced. Cultural resistance to change has been renamed as Pace of change negatively impacts service delivery and employee morale and this risk has been downgraded from red to amber. The judgement for the Covid emergency response risk is that it has been downgraded from red to amber to reflect the Future Lewisham plans and work with partners.

Actions continue to be monitored. Most actions in the Strategic Register are either completed or progressing satisfactorily in accordance with expected timescales. However, numerous dates have slipped or been extended, largely due to the diversion of resources as a result of COVID-19.

The report also detailed an update on the management of financial risk as previously requested. Further detail on the risks relating to IT will be reported at the next meeting.

It was suggested that a cash-flow forecast in regards to the management of financial risk would provide more insight on longer term risk viability. The presenting officer stated that they could provide medium-term financial strategy assumptions to see how the plan is built from a funding perspective.

In regards to the advocacy of internal control, it was mentioned by members that there was no action of training staff or managers. The presenting officer responded that a lot has been done for the director group to ensure the boundary between finance and budget holder and accountability for money is more broadly shared going forward as well as rebuilding these skills with other management.

Action: ICT representative will be invited to discuss IT risks

Action: Risk 1A1 deferred as it has dropped from red to amber. 2B1 and 2B2 will be the risks scrutinised by the Panel for the next meeting.

The meeting finished at 8.20pm



Audit Panel

Report title: External Audit Update

Date: 15 March 2022

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors: Executive Director of Corporate Resources

Outline and recommendations

The purpose of this report is to:

- Provide an update to the members of the Audit Panel on the preparations for the 2021/22 closing of accounts and statutory external audit processes.
- Provide an update on the recommendations to the Action Plan 2020/21
 - Consider the responses to the audit risk assessment for 2021/22

1. Summary

- 1.1. The purpose of this report is to provide an update to the members of the Audit Panel on the preparations for the 2021/22 closing of accounts and statutory external audit processes.
- 1.2. The report also provides members with the management action responses to the auditor recommendations made as part of the 2020/21 external audit.
- 1.3. Finally, the report considers the key risks for the 2021/22 accounts and asks the Audit Panel to consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

2. Recommendations

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

3. Policy Context

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

4. Background

- 4.1. The 2020/21 audit of the Statement of Accounts resulted in an unqualified opinion for both the Council and Pension Fund on 16 December 2021. The Value for Money element of this is ongoing and due to be finalised within the next few weeks.
- 4.2. The external auditors Grant Thornton have commenced the interim audit in late February 2022. The areas which are being covered as part of this interim process include: updated review of the Council's control environment; updating their understanding of financial systems; review of Internal Audit reports on core financial systems; early work on emerging accounting issues; and early substantive testing.

5. 2021/22 Statement of Accounts

- 5.1. The Department for Levelling Up, Housing and Communities published on 16 December 2021, measures to support the timely completion of local government audits. This included extending the deadline for preparing draft accounts to 31 July 2022 and publishing audited accounts to 30 November 2022 for 2021/22 accounts.
- 5.2. Lewisham Council will work to preparing draft accounts by 30 June 2022 and publishing audited accounts by 30 November 2022. These will be shared with the Audit Panel at the relevant meetings throughout the year for approval as required.
- 5.3. The Council's 2021/22 closing of accounts timetable and guidance notes have been updated and communicated to relevant officers. Training events are being held to share the key requirements and offer training, support and guidance.
- 5.4. Grant Thornton will publish the 2021/22 Audit Plan at the July Audit Panel. The interim audit has commenced and progress is being made on initial system and process walkthroughs and the sampling of income and expenditure to Period 10.

6. 2020/21 Audit Findings Report

- 6.1. The Audit Findings Report for London Borough of Lewisham and Lewisham Pension Fund for the year ended 31 March 2021, included an action plan. This consisted of a

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number of recommendations for the Council as a result of issues identified during the course of the 2021/21 audit.

6.2. Progress on these recommendations is included within Appendix A.

7. 2021/22 Audit Risk Assessment

7.1. Grant Thornton produce a report; Informing the audit risk assessment for London Borough of Lewisham and Pension Fund 2021/22, to contribute towards the effective two-way communication between the external auditors and the Audit Panel. As part of their risk assessment procedures, they are required to obtain an understanding of management processes and Council oversight in a number of key areas.

7.2. The report is included within Appendix B.

7.3. The Audit Panel should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

8. Financial implications

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

9. Legal implications

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

10. Equalities implications

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

11. Climate change and environmental implications

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

12. Crime and disorder implications

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

13. Health and wellbeing implications

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

14. Report authors and contact

14.1. David Austin, Director of Finance, 020 8314 9114, david.austin@lewisham.gov.uk

14.2. Sofia Mahmood, Chief Accountant, 020 8314 3684, sofia.mahmood@lewisham.gov.uk

15. Appendices

15.1. Appendix A – Action Plan Recommendations - Audit Findings Report for London Borough of Lewisham and Lewisham Pension Fund for the year ended 31 March 2021

15.2. Appendix B - Informing the audit risk assessment for London Borough of Lewisham and Pension Fund 2021/22

Appendix A

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

Action Plan – Audit of Financial Statements – Council

Assessment	Issue and Risk	Recommendations	Management Action
High	<p>Our testing of IT General Controls identified the following findings which have been reported in detail to management:</p> <ul style="list-style-type: none"> • Insufficient evidence over the completeness and accuracy of data migration of the payroll system • Absence of formally approved project related documentation • Lack of formal approval by management on IT policy • Lack of formal review of audit logs 	<p>Management should implement the recommendations raised in the IT General controls report</p>	<p>These are provided in detail within The IT Audit Findings report.</p> <p>In summary; it is recognised that although reconciliations and approvals were carried out, there was no single repository of project documentation to evidence this. This has now been implemented through the corporate Project Management Office, with all significant projects now having a dedicated repository in MS Teams. Subject to external audit’s review, this action is proposed to be closed as completed.</p>
Medium	<p>Our review of your fixed asset register identified 123 assets that have a Net Book Value of nil. You should undertake an exercise to verify that these assets still exist. If the Council are still using the assets they will need to determine whether the current depreciation policy is appropriate.</p>	<p>Management should undertake a review of all assets that have a nil Net Book Value. You will need to review whether these are assets are still in use and if so whether your depreciation policies are appropriate. This is unlikely to give rise to a material misstatement in depreciation.</p>	<p>The current accounting policy for depreciation of vehicles, plant and equipment is a range of 5 to 40 years. A review of all assets with a nil value is planned as part of preparing the draft accounts for audit with a working paper to support officers’ assessments. If, following this work, this issue remains an audit concern the Council will review the accounting policies as part of the review required with changes to prudential borrowing guidance.</p>

Appendix A

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

Action Plan – Audit of Financial Statements – Council

Assessment	Issue and Risk	Recommendations	Management Action
Medium	<p>The school bank account reconciliations provided to audit were not reconciled to the bank statement as at 31 March 2021. There was a subsequent delay in providing the audit team with appropriate year end reconciliations.</p> <p>Our review of the Eurobank reconciliation also identified a trivial unreconciled difference of £7,082 between the trial balance and the ledger which management have not been able to explain.</p>	<p>Management should provide complete reconciliations that reconcile the schools ledger balance to the bank statement as at 31 March 2021. Evidence for any reconciling items should be retained as part of the evidence submitted to audit.</p>	<p>The request for school bank account reconciliations has been incorporated into the revised schools closing documentation. Training is being delivered by the Schools service finance team to ensure schools are familiar with their responsibilities.</p> <p>An update on progress will be provided at the next Audit Panel meeting. This will also be tested as part of the 2021/22 audit work.</p> <p>The exchange rate applied to the balance in 2020/21 was incorrect, which cause the balance. This has now been corrected.</p> <p>Subject to external audit’s review, this action is proposed to be closed as completed.</p>
Low	<p>Our review of the bank reconciliation for the image pay bank payment account identified several cheques that are over 6 months old which have not been stopped. These should be stopped and written back.</p>	<p>Management should review and stop all out dated cheques.</p>	<p>A process does exist to stop cheques where this is specifically requested.</p> <p>A regular review is required to ensure that all cheques over 6 months are stopped as part of business as usual. This will be undertaken every 3 months. At the last review in February the cash team confirmed there were no cheques outstanding over six months old.</p>

Appendix A

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

Action Plan – Audit of Financial Statements – Council

Assessment	Issue and Risk	Recommendations	Management Action
Medium	You had difficulties in providing us with evidence to support the accounting entries within Receipts in Advance and Creditors associated with your Section 106 agreements.	Management need to review all Section 106 agreements to ensure you are appropriately recording and tracking the receipt and expenditure associated with these agreements. Management need to fully reconcile the Section 106 recording system (Exacom) to the ledger on an agreement by agreement basis.	A comprehensive review is being undertaken; matching Exacom (the planning system used to record s106 transactions) entries to Oracle ledger receipts, project usage and associated conditions. The ongoing process is also being reviewed to ensure the relevant information is recorded and tracked to allow accurate representation within the Statement of Accounts. The next step will be to provide this review and supporting working papers for audit to support the 2021/22 financial statements.
Medium	During our walkthrough of the schools expenditure process we identified that there is currently no reconciliation between the school finance reports used to journal the data in to the ledger and the source date (i.e. bank reconciliation or the school payroll reports)	Management should reconcile the schools finance reports to source data prior to journaling the entries into the ledger.	The schools closing documentation has been revised to request assurances of reconciliations between cash book and school balances before processing into Oracle. This is also referred to within the Council’s year-end guidance notes. Training is being delivered by the Schools service finance team to ensure schools are familiar with their responsibilities. As noted for the related year end recommendation, an update will be provided at the next Audit Panel meeting. This will also be tested as part of the 2021/22 audit work.
Medium	Our review of 20/21 starters identified that HR were not receiving signed contract from new employees	Management should obtain and retain signed and dated contracts of employment for all staff.	The Resourcing departments request signed contracts from new employees as part of the induction process. This audit recommendation has been shared with colleagues in HR for action. They report that there may be issues where these are not returned and so the processes will be reviewed over the next 3 months to understand whether these require amendment or further resource.

Appendix A

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

Action Plan – Audit of Financial Statements – Council

Follow up of prior year recommendations

Issue and Risk previously communicated	Update on actions taken to address the issue	Management Action
<p>Our sample cut off testing from bank statements in April and May 2020 identified 4 expenditure items totalling £175k that related to 2019/20 that had not been accrued. This error extrapolated to £1,811k</p> <p>Similarly, our sample testing of invoices received in April and May 2020 identified expenditure items totalling £346k that related to 2019/20 that had not been accrued. We extended our testing and did not find any more errors. This error extrapolated to £4,824k.</p> <p>Your cut off procedures need strengthening to ensure that expenditure is coded in the year which it related.</p>	<p>The Council had undertaken a more robust review of cut off arrangement in 2020/21. However, our testing identified 3 items that were paid in April / May that related to the 2020/21 year that had not been accrued for. One of these items was for £524k.</p>	<p>The Council’s year-end guidance notes have been updated and highlight the importance of cut-off testing. Income and expenditure will be reviewed in April and May 2022 to identify any which may relate to 2021/22. These will be shared with Service Finance to manually accrue as required.</p> <p>An update on progress will be provided at the next Audit Panel meeting. This will also be tested as part of the 2021/22 audit work.</p>

Appendix A

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

Action Plan – Audit of Financial Statements – Pension Fund

Assessment	Issue and Risk	Recommendations	Management Action
Medium	<p>The current set up of the general ledger is not conducive for financial reporting. This results in management having to make several significant adjustments each year outside of the ledger to consolidate the pension fund financial statements. This makes the process more time consuming and increases the potential for errors / omissions to occur.</p>	<p>Management should reconfigure the ledger so that it is in line with external reporting and minimises (or eliminates) the need for manual adjustments.</p>	<p>Northern Trust have agreed to amend the data they provide so that it is in line with the Oracle coding structure. LBL will purchase an additional service so that the format also matches to that required.</p> <p>This will result in far less manual adjustments being required. An update on progress will be provided at the next Audit Panel meeting. This will also be tested as part of the 2021/22 audit work.</p>
Medium	<p>Our testing of Admitted and Scheduled bodies' monies identified an absence of monthly reconciliations of remittances made by admitted and schedules bodies to expected receipts and to posting on the ledger.</p> <p>In addition, there was no reconciliation of monthly payroll contribution data from the Administering Authority (Council) to posting in ledger.</p>	<p>Management should reconcile contributions income received by admitted and schedules bodies from the bank account to the ledger. A monthly reconciliation of contributions from the administering authority payroll records to the ledger also needs to be undertaken.</p>	<p>The reconciliation is now undertaken timely and reviewed regularly.</p> <p>Subject to external audit's review, this action is proposed to be closed as completed.</p>

Appendix A

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

Action Plan – Audit of Financial Statements – Pension Fund

Follow up of prior year recommendations

Issue and Risk previously communicated	Update on actions taken to address the issue	Management Action
<p>The current set up of the general ledger is not conducive for financial reporting. This results in management having to make several significant adjustments each year outside of the ledger to consolidate the pension fund financial statements. This makes the process more time consuming and increases the potential for errors / omissions to occur.</p>	<p>Not yet implemented. The fund is undertaking a significant number of mandate changes and transition of funds. The team is also experiencing significant personnel changes currently which has slowed plans for this work. This action will be picked up once the above are stabilised.</p>	<p>Northern Trust have agreed to amend the data they provide so that it is in line with the Oracle coding structure. LBL will purchase an additional service so that the format also matches to that required.</p> <p>This will result in far less manual adjustments being required.</p> <p>This legacy action is responded to and being tracked above in respect of the 2020/21 audit finding and recommendation.</p>

Informing the audit risk assessment for London Borough of Lewisham and Pension Fund 2021/22

Page 08

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Going Concern	20
Accounting Estimates	22
Accounting Estimates - General Enquiries of Management	23
Appendix A – Accounting Estimates	26

Purpose

The purpose of this report is to contribute towards the effective two-way communication between London Borough of Lewisham and Pension Fund's external auditors and London Borough of Lewisham and Pension Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from London Borough of Lewisham and Pension Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>These will be disclosed in full within the 2021/22 Statement of Accounts. Some of the key issues will be the financial effects of the Covid-19 pandemic; Covid-19 procurement rule changes – more extensions; withdrawal of NHS FT claim for charitable status on business rates; new ISA/IFRS requirements and enhanced VFM work, asset valuations and related capital calculations.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by London Borough of Lewisham and Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Yes – the current accounting policies of the Council are considered to be appropriate.</p> <p>No – there are no such events or transactions. The length of depreciation on assets, which is currently at 40 years will likely be considered as part of a development programme, as to whether for HRA and/or GF this should move to 50 years.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>There are Level 3 investments in the Pension Fund.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>There are existing loans to Lewisham Homes (ALMO) to acquire residential buildings – circa £37 million. In addition, Covid-19 work has required the business rates system to be used to target reliefs and grants to businesses, rather than primarily collecting tax. Covid grants have also supported care provider contracts Funds have also through care provider contracts. The Council terminated the Fusion leisure contract early and paid into the London mortuary arrangements.</p>

General Enquiries of Management

Question	Management response
<p>5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?</p>	<p>Not at this time. This information will be collected from service areas as part of the year-end proforma.</p> <p>As part of the group accounts, CRPL are at the limits of borrowing secured against value of assets. This is due to the decrease in valuations due to Covid-19.</p>
<p>6. Are you aware of any guarantee contracts? If so, please provide further details</p>	<p>Not at this time. This information will be collected from service areas as part of the year-end proforma.</p>
<p>7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details</p>	<p>Not at this time. This information will be collected from service areas as part of the year-end proforma.</p>
<p>8. Other than in house solicitors, can you provide details of those solicitors utilised by London Borough of Lewisham and Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>The Legal Team uses support from external Counsel and external legal firms when needed.</p> <p>The Pension Fund has appointed Eversheds-Sunderland to provide specific tax and legal due diligence advice prior to the investment in a low carbon equity fund.</p>

General Enquiries of Management

Question	Management response
9. Have any of the London Borough of Lewisham and Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No frauds reported, but following judgements on McCloud and Goodwin cases additional retrospective work is required to be completed to address any gender and age discrimination in payment of pensions.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	We have consulted PWC with regard to housing and regeneration schemes, and also for VAT advice. For Treasury we use Link Asset Services for advice (they were used for regular benchmarking and interest rate and general economic forecasting in support of TMS and MTFS) and for Pensions we use Hymans Robertson as consultant and advisors (used for all investment strategy and risks, mandate advice and actuarial services).
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Expected credit losses are considered at least annually, taking into account past information, current conditions and forecast information to reflect credit risk. This is in relation to financial assets including lease receivables, loan commitments and financial guarantee contracts, where relevant. No losses have currently been identified.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As London Borough of Lewisham and Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from London Borough of Lewisham and Pension Fund's management.

Fraud risk assessment

Question	Management response
<p>1. Has London Borough of Lewisham and Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes</p> <p>The Council has good arrangements including a counter fraud team, policies and procedures – overseen by the Audit Panel. The Council also has a whistleblowing policy with cases reported by the monitoring officer to the Standards Committee. These are set out in the Anti-Fraud and Corruption Team (AFACT) updates to the Audit Panel. No frauds have been identified which would be material to the Accounts; a number of housing and benefits cases have arisen and a small number of staffing cases. These are reported to EMT quarterly and annually to the Audit Panel and online as per the requirements of the Transparency Code.</p> <p>Service managers raise risks which may relate to finances which feed into Service Plans, Directorate and Corporate risk registers. Through the monthly financial monitoring process to EMT (quarterly to M&C) risks from business activity and change are discussed.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Treasury management activity and the Financial Transactions Team activity which includes accounts payable and corporate credit cards. A further class of activity would include Pension Fund valuations and transactions, hence the appointment of a custodian.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within London Borough of Lewisham and Pension Fund as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>No frauds have been identified which would be material to the Accounts; a number of housing and benefits cases have arisen and a small number of staffing cases.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	All fraud is reported in the annual report to Audit Panel – this is scheduled for June 2022. In addition, the Head of Assurance provides a regular update to each meeting of the Audit Panel and presents the Counter Fraud reports noted above.
5. Have you identified any specific fraud risks? If so, please provide details	No
Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within London Borough of Lewisham and Pension Fund where fraud is more likely to occur?	No As already stated, there is theoretically a greater risk of fraud within the Treasury Management and the Financial Transactions teams, because of their payment activities. Appropriate controls are in place to mitigate these risks.
6. What processes do London Borough of Lewisham and Pension Fund have in place to identify and respond to risks of fraud?	From a fraud perspective, the internal control process is relied on to identify significant weaknesses (apart from Covid-19 funding activities, where there is a proactive programme to prevent fraud). If an investigation highlights a significant weakness, work is undertaken with the service area to resolve and make audit aware so this could be factored into future audits.

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for London Borough of Lewisham and Pension Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The risk of fraud is managed within the general financial control framework: Financial Regulations, Anti Fraud & Corruption Policy, Whistle-blowers policy etc. All of these policies, procedures and guidelines are reviewed on a regular basis and are submitted for approval to the Audit Panel or - if more appropriate - the Constitutional Working Party, the Standards Committee and/or the Public Accounts Select Committee.</p> <p>In the case of weaknesses resulting in fraud or the risk of fraud, any outstanding actions would also be reported to Audit Panel. In addition, the Anti-Fraud & Corruption Manager has a direct reporting line to the Head of Assurance if immediate action was to be needed.</p> <p>Staff training regarding ethical business practices and regarding the general financial control framework.</p> <p>We are not aware of any such override of controls.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No</p>

Fraud risk assessment

Question	Management response
<p>9. How does London Borough of Lewisham and Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Director of Law and Corporate Governance delivers an annual training session on ethical matters. Such matters are also covered as part of the fortnightly meetings of the DMT. The Council has an officers' code of conduct and related policy documents that all new staff are required to sign up to. These documents are available on the Council's intranet for officers to view. In addition to this, awareness training sessions are held for officers on the code of conduct, fraud and financial procedures.</p> <p>Staff are encouraged to report their concerns via their line manager or via the whistle-blowing policy.</p> <p>Staff are expected to report any concerns about fraud if they have any suspicions about a colleague's actions in this respect or if they see a potential weakness in a financial control.</p> <p>No significant concerns have been reported.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Chief Executive and Executive Management Team, Deputy s151, Director of Financial Services and Head of Payroll and Pensions, Procurement and Accounts Payable teams, Housing services and Benefits team, contract managers.</p> <p>Risks are identified and addressed through the Council's constitution, control framework, and service plans and procedures. The Constitution covers financial and procurement regulations, rules on decision making and delegations to ensure transparency, segregation of duties, and scrutiny. These in practice are then implemented through operational controls – procedures and systems – with records kept of decisions and transactions.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Amongst the anti-fraud policy material, there are specific documents relating to: contract procedure rules; members' code of conduct; and code of corporate governance; plus the register of interests and checks via procurement when letting and managing contracts.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Council has good arrangements including a counter fraud team, policies and procedures – overseen by the Audit Panel. The data for these are set out in the Anti-Fraud and Corruption Team (AFACT) updates to the Audit Panel. The Council also has a whistle-blowing policy with cases reported by the monitoring officer to the Standards Committee.</p> <p>The Audit Panel receives regular progress updates and an annual report from the Head of Assurance. These include updates on internal control and risk issues and assess the level of assurance attributable to all areas included in the Audit Plan. The Panel also reviews internal audit reports with a 'limited' or 'no assurance' rating where deemed appropriate and necessary, and regularly reviews the strategic risk register. Where necessary the Audit Panel may also recommend sending audit reports to the relevant board of trustees and/or governors.</p> <p>No frauds have been identified which would be material to the Accounts; a number of housing and benefits cases have arisen and a small number of staffing cases.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that London Borough of Lewisham and Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does London Borough of Lewisham and Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Management relies on delivery of the approach set out in the Council's constitution, and on day-to-day management action including from the Council's legal and financial functions.</p> <p>The Constitution contains requirements to ensure that decision making is legally compliant, in particular that proper advice is taken and corporate implications are considered. (See Pt II ARTICLE 16 PRINCIPLES OF DECISION MAKING 16.1 Principles of decision making paragraph b: 'the decision maker will take professional advice (including financial and legal advice where the decision may have legal and/or financial consequences)'; Pt IV.D Executive Procedure Rules require decisions to be taken 'on the basis of written reports which contain service, legal and financial implications'; and Pt VIII Mayoral Scheme of Delegation Part H General paragraph 5: officers are required to take decisions 'in a manner that decisions are not made in isolation and that the decision maker takes into account the broader corporate implications for the Council'.)</p> <p>As set out above, decisions have to be made in compliance with the Constitutional framework. In addition, the Council's HR and other procedures (including requirements for declarations of interest by staff and members, and delivery of whistle-blowing and complaints policies) provide a framework to reduce the likelihood of non-compliance, and increase the likelihood of non-compliance being revealed.</p> <p>The McCloud and Goodwin judgements may have an impact.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Audit Panel would be advised of any illegal practice through the Internal Audit reporting process or through the scrutiny of the Accounts process.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>No</p>

Impact of laws and regulations

Question	Management response
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	Currently there are employment claims in relation to term-time working (following decision in Harpur v Brazel case over calculation of holiday pay in relation to term-time employees). At the moment, there are 7 Employment Tribunal claims on hold, with those and other potential claims currently in settlement discussions with Trade Unions. The Unions' expectation is that staff will receive similar settlements to those paid out by LB Greenwich and Brighton Council.
5. What arrangements does London Borough of Lewisham and Pension Fund have in place to identify, evaluate and account for litigation or claims?	As part of the preparation of Accounts process, the Director of Finance has a discussion with the Director of Law and Corporate Governance regarding existing & potential claims. In addition, the CEO, MO and s151 meet quarterly to review any concerns, including live litigation, material control risks etc.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

Related Parties

Matters in relation to Related Parties

London Borough of Lewisham and Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by London Borough of Lewisham and Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

Page 35

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in London Borough of Lewisham and Pension Fund's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and London Borough of Lewisham and Pension Fund whether London Borough of Lewisham and Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>Not at this time, although this will be reviewed as part of 2021/22 account preparation.</p>
<p>2. What controls does London Borough of Lewisham and Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members and senior managers are required to make a written declaration of interests each year, including nil returns where applicable. Members' declarations are published on the Council's website, and Members are also required to declare verbally any relevant interests at the beginning of each committee meeting. Material instances from the Council's viewpoint (that is, over £100k) are disclosed in the 'related party transactions' note to the accounts. Material instances from the related party's viewpoint are also considered for disclosure.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>These are as set out in the Constitution (including; decision-making principles, financial and procurement regulations, and schemes of delegation) supported by related operational procedure and system controls to ensure appropriate decision-making, segregation of duties and scrutiny (e.g. financial procedures, procurement handbook, Oracle controls and hierarchy, etc.).</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Any such cases have to go through the Monitoring Officer as Head of Legal Services to settle as per the Constitution. The MO will only do so in consultation with the s151 to assess the financial implications.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by London Borough of Lewisham and Pension Fund will no longer continue?</p>	<p>Managements regularly monitors budget forecasts and variances for revenue & capital, cash flow position, borrowing affordability, reserves balances and collection of business rates, council tax and housing rents. These will provide early indicators of circumstances in which statutory services will no longer be able to continue.</p>
<p>2. Are management aware of any factors which may mean for London Borough of Lewisham and Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>No. Although there are risks, including the unknown settlement for 2023/24 and income collection rates.</p>
<p>3. With regard to the statutory services currently provided by London Borough of Lewisham and Pension Fund, does London Borough of Lewisham and Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for London Borough of Lewisham and Pension Fund to cease to exist?</p>	<p>Statutory services will continue to be provided by LBL & Pension Fund for the foreseeable future. There are no plans for LBL & Pension Fund to cease.</p>
<p>4. Are management satisfied that the financial reporting framework permits London Borough of Lewisham and Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

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

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

Specifically do Audit Committee members:

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

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>All such classes of transactions are disclosed in the accounts under the section of the accounts headed 'Statement of accounting policies' and the note to the accounts headed 'Assumptions made about the future and other major sources of estimation uncertainty'.</p> <p>This includes land, buildings & council dwelling valuations, depreciation, valuation of defined benefit net pension fund liabilities, level 2 & 3 pension fund investments, significant accruals, credit loss & impairment allowances, fair value of loans, provisions & PFI liabilities</p>
<p>2. How does the Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>Management reviews the accounting estimates used in the previous year's accounts and considers any significant events or changes in accounting standards during the year which may have altered the classes of transactions or the basis on which they should be estimated. These are discussed in the course of the management meetings that take place during the closing of accounts process.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>Management reviews the methods, assumptions and source data used in the previous year's accounts and considers any significant events or changes in accounting standards during the year which may have altered these. These are discussed in the course of the management meetings that take place during the closing of accounts process.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Management reviews these by comparing the current year's results in these areas with the previous year's estimates. If a significant variance arises, this is investigated further to determine whether a change in methodology is appropriate and/or whether an explanatory note is required in the accounts.</p>
<p>5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?</p>	<p>No changes have been made, but this will be subject to review during the closing of accounts process.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Certain activities are generally recognised as requiring specialised skills or knowledge related to accounting estimates, especially in the areas of loans & investments, pension fund valuation, and non-current asset valuations. These areas are of very high value and therefore highly significant for the accuracy of the accounts. Management therefore ensures that specialists are used in these areas on an ongoing basis, and consideration is also given to any events or changes in accounting standards during the year which may create a need for additional use of specialist advice.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Quality control measures include reviewing the impacts and reasonableness of accounting estimates at management meetings during the closing of accounts process. Further analysis of the basis of estimates may be called for by management as required. In addition, where external expertise is used, those experts will have had to evidence the appropriate specialist skills and knowledge during the procurement process.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>As stated above, a review of the impacts and reasonableness of accounting estimates is carried out at management meetings during the closing of accounts process. In addition, periodic liaison meetings are held with external experts at which accounting estimates are reviewed along with other business and contractual issues.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Audit Panel is given the opportunity to scrutinise and request information about the process related to accounting estimates, as part of its review of the draft accounts.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Audit Panel is given the opportunity to scrutinise the draft accounts and seek such assurance as appropriate. The draft accounts disclose the basis of accounting estimates used and provide confirmation that the relevant accounting standards have been adhered to regarding those estimates.</p>

Page
42

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations Page 43	Current value, being the amount that would be paid for the asset in its existing use (existing use value – EUV)	By reference to Code of Practice and any other relevant standards	Yes	A limited degree of uncertainty is accepted, given the sensitivity to market conditions. This is reviewed during the audit process, and valuations may be adjusted accordingly. A note may be added to the accounts where the level of uncertainty is considered significant. Depreciated replacement cost (DRC) and fair value (FV) are alternative methods used in relevant circumstances.	No
Council dwelling valuations	Current value, using the basis of existing use value for social housing (EUV-SH)	By reference to Code of Practice and any other relevant standards	Yes	A limited degree of uncertainty is accepted, given the sensitivity to market conditions. This is reviewed during the audit process, and valuations may be adjusted accordingly. A note may be added to the accounts where the level of uncertainty is considered significant.	No
Depreciation	Straight-line method based on the asset's useful life	By reference to Code of Practice and any other relevant standards	No	The length of useful lives is reviewed periodically. Depreciation is not charged for assets with an indeterminable finite useful life.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.	Based on IAS19 assumptions and calculations for the year and the latest triennial valuations	Yes	Some degree of uncertainty is expected – subject to the expertise of actuaries. If there is material uncertainty, this is noted in the accounts.	No
Level 2 Pension Fund investments	Fair value, the basis of measurement being market value based on bid prices. More detail is shown in the pension fund accounts.	Used in cases where quoted market prices are not available	Yes	Some degree of uncertainty is expected – subject to the expertise of fund managers. If there is material uncertainty because of volatility of markets, this is noted in the accounts.	No
Level 3 Pension Fund investments	Fair value, the basis of measurement being market value based on bid prices. More detail is shown in the pension fund accounts.	Used in cases where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data	Yes	Some degree of uncertainty is expected – subject to the expertise of fund managers. If there is material uncertainty because of volatility of markets, this is noted in the accounts.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Significant Accruals	The methods are various, but in general by using all relevant information that is available at that point in time, especially by reference to similar accruals in previous years	Management reviews the estimates used in previous years and considers whether there have been any changes in circumstances that would give rise to additional accruals or revised methodology.	No	Significant expenditure accruals can normally be determined with a reasonable degree of certainty. However, management may consider alternative options for recognising the liability if the situation is uncertain, for example by creating a provision.	No
Credit loss and impairment allowances	Expected credit losses are recognised on all financial assets held at amortised cost either on a 12-month or lifetime basis, where material. Impairment allowances are determined according to the particular factors for each type of debtor.	By reference to the CIPFA Treasury Management Code of Practice and the Council's Treasury Management Strategy. For impairment allowances, via regular management review.	Yes	These methods are considered to be appropriate and prudent, and any changes to the influencing factors, such as market volatility or economic downturn, are appraised by management as and when they occur.	Impairment allowance methodologies currently subject to review

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value of loans	Financial liabilities at amortised cost – fair value estimated by calculating present value of cash flows over remaining term. Assumptions include PWLB borrowing rates or New Loan/Certainty discount rate or discussions with market participants.	Have been assessed with reference to Level 2 inputs, which give a reasonable estimate for the fair value	Yes	Specialist advice obtained from LINK. Market volatility can increase level of uncertainty..	No
Provisions	Various methods, all using relevant information available at that time, with reference to future cashflows.	Management review of estimates used in previous years, consider any change in circumstances that would give rise to amendments and payments already made.	No	Dependent on type of expenditure being provided for, but all relevant information is considered.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	A separate model is used for each PFI contract to calculate the accounting entries required at year-end.	The model calculations are compared with contractor charges.	The model was created by PwC UK	The calculations include RPI and may include adjustments for deductions based on availability and/or performance or benchmarking.	None





Audit Panel

Report title: Grant Thornton Audit Progress Report & Sector Update

Date: 15 March 2022

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors: Executive Director of Corporate Resources

Outline and recommendations

The purpose of this report is to:

- Provide an update to the members of the Audit Panel on the progress in delivering Grant Thornton's responsibilities as Lewisham Council's external auditors
 - Provide a summary of emerging national issues and developments
- Provide a number of challenge questions in respect of these emerging questions which Panel may wish to consider

1. Summary

- 1.1. The purpose of this report is to provide an update to the members of the Audit Panel on Grant Thornton's progress in delivering their responsibilities as external auditors to Lewisham Council. They will provide a summary of emerging national issues and developments which may be relevant and present a number of challenge questions which the Panel may wish to consider.

2. Recommendations

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

3. Policy Context

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

4. Audit Progress Report

- 4.1. Grant Thornton, the external auditors for London Borough of Lewisham Council and Pension Fund will present their Audit Progress Report.
- 4.2. This is included within Appendix A.

5. Financial implications

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

6. Legal implications

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

7. Equalities implications

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

8. Climate change and environmental implications

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

9. Crime and disorder implications

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

10. Health and wellbeing implications

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

11. Report authors and contact

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Page 50

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12. Appendices

12.1. Appendix A –London Borough of Lewisham Audit Progress Report and Sector Update

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Page 51

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London Borough of Lewisham Audit Progress Report and Sector Update

Year ending 31 March 2021

March 2022
Page 52



Contents

Section	Page
Introduction	3
Progress at 1 March 2022	4
Audit Deliverables	6
FRC report on Local Audit November 2021	8
Sector Update	10

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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

The paper also includes:

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

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

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

Progress at 1 March 2022

Financial Statements Audit 2020/21

We reported our work in our Audit Findings Report in November and gave an unqualified opinion on the Council's financial statements and Council's Pension Fund on 16 December 2021.

We have held a debrief meeting with the finance team to discuss areas of the audit that went well together with areas where there is scope for further improvement. Actions are being put in place for 2021-22 to drive continuous enhancement and improvement in our collaborative working.

Financial Statements Audit 2021/22

Our formal planning work will begin in late February 2022 and is ongoing throughout March. As part of this work we plan to:

- Review the Council's control environment.
- Document and undertake walkthrough tests of the Council's key financial systems.
- Review Internal Audit reports on core financial systems.
- Undertake early work on emerging accounting issues.
- Undertake early substantive testing to reduce the work we are required to undertake in the July to November period.

We will issue our audit plan summarising our approach to key risks on the audit to the next Audit Panel.

The audit opinion deadline in 2021/22 is 30 November 2022.

Value for Money

The current Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under this Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

The National Audit Office has updated its guidance to auditors to allow completion of our work on arrangements to secure value for money to take place after delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The Annual Auditors Report for 2020-21 is currently being finalised.

Progress at 1 March (cont.)

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 2020/21 claim began in November. DWP has extended the deadline for reporting the findings of this work. We are aiming to complete the work by 31 March 2022.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2020/21 return began in October. We have certified the return in February. There were some reporting issues on the return including:

- A variance of £25k between payroll records to contributions included within the return.
- A difference of £674k from bank statements to the Employers' contributions paid by Teachers Pensions.
- One case from a sample of 20 where the members status was 'opted out' but contributions were still being deducted from the teachers salary
- Variance of £1,074 of additional contributions per pay records to the amount included within the return.

Meetings

We most recently met with the Chief Executive and the Executive Director for Corporate Resources on 31 January 2022 as part of our ongoing liaison meetings to discuss the Council's strategic priorities and plans. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshops last month, which will help to ensure that members of your Finance Team are 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.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Panel setting out our proposed approach in order to give an opinion on the Council's 2020/21 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	June 2021	Completed
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the November Audit Panel.</p>	September 2021	Completed
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	September 2021	Completed
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	March 2022	In progress
<p>Whole of Government Accounts Return</p> <p>Guidance not yet issued yet</p>	Date to be agreed	Not yet started
<p>Opinion on the Pension Fund Annual Report</p> <p>We are awaiting confirmation from the Council that the revised Pension Fund Annual Report was approved at the Pension Investments Committee on 10 February 2022.</p>	December 2021	In progress
2020/21 Audit-related Deliverables	Planned Date	Status
<p>Teachers Pensions Scheme – certification</p> <p>This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	30 November 2021	Completed
<p>Housing Benefit Subsidy – certification</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	28 February 2021	Work due to be finalised 31 March
<p>Pooling of housing capital receipts - certification</p> <p>This is the report we submit to Ministry of Housing, Communities and Local Government based upon the mandated agreed upon procedures we are required to perform.</p>	4 February 2022	There are prior year returns that will need certifying before we can certify 2020-21

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Panel setting out our proposed approach in order to give an opinion on the Council's 2021/22 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	June 2022	Not yet due
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the November Audit Panel.</p>	November 2022	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2022	Not yet due
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	February 2023	Not yet due
<p>Whole of Government Accounts Return</p> <p>Guidance not yet issued yet</p>	December 2022	Not yet due
<p>Opinion on the Pension Fund Annual Report</p> <p>We are required to issue a consistency opinion on the Pension Fund Annual Report</p>	December 2022	Not yet due
2021/22 Audit-related Deliverables	Planned Date	Status
<p>Teachers Pensions Scheme – certification</p> <p>This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	30 November 2022	Not yet due
<p>Housing Benefit Subsidy – certification</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	31 January 2023	Not yet due
<p>Pooling of housing capital receipts - certification</p> <p>This is the report we submit to Ministry of Housing, Communities and Local Government based upon the mandated agreed upon procedures we are required to perform.</p>	February 2023	Not yet due

Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Page 59
Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

FRC report (cont.)

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Sector Update

Authorities 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

Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

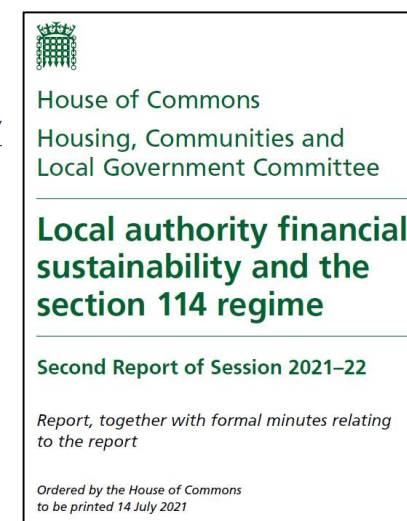
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons
Committee of Public Accounts

Local auditor reporting on local government in England

Eleventh Report of Session 2021–22

2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

2023-24 audit appointments – Public Sector Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>

Guide to support Value for Money (VfM) analysis for public managers – CIPFA

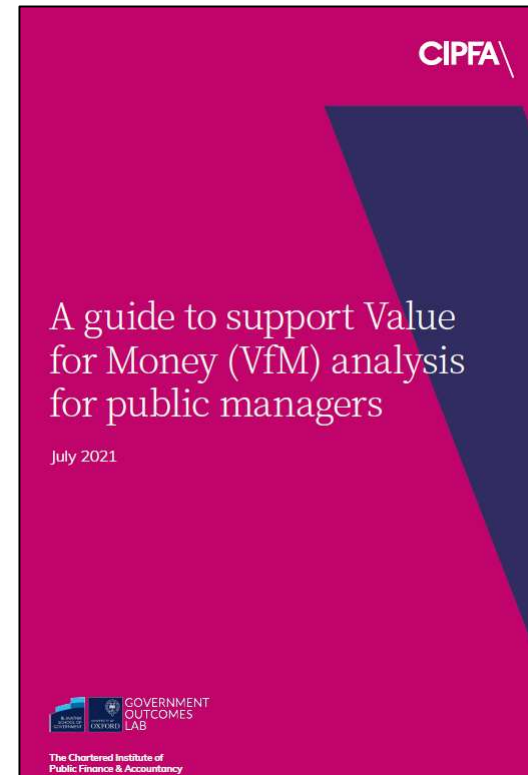
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK’s statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities.

Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

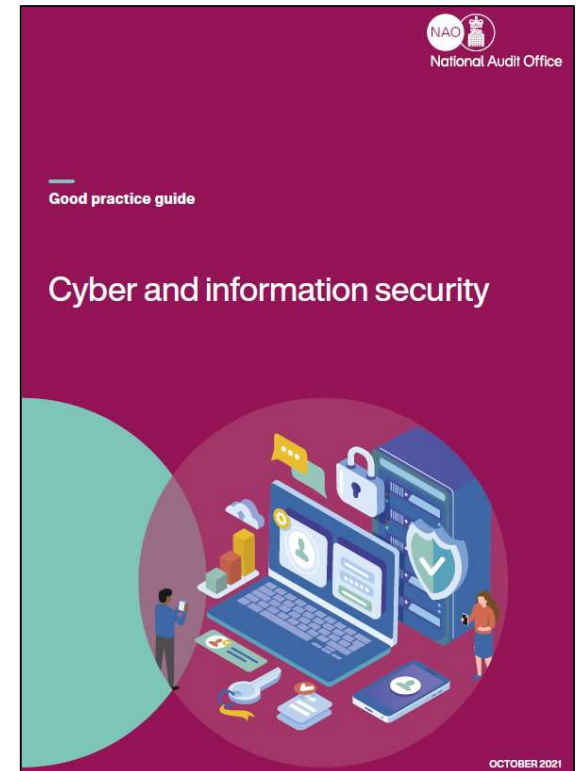
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





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Audit Panel

Report title: Internal Audit Plan 2022/23 and Progress Update

Date: 15 March 2022

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

This report presents a proposed Internal Audit Plan for 2022/23. It sets out the risk analysis that underpins the plan and an assessment on the adequacy of resources available to provide assurance of that risk analysis. Finally it sets out how we intend to use the available resources of around 770 days to provide assurance to Senior Management and Members.

The report also presents a summary of progress in completing the 2021/22 audit plan, including outcome of completed engagements and action on implementing recommendations.

We ask Members to approve the 2022/23 plan and note progress on the 2021/22 plan.

1. Summary

- 1.1. This report summarises the proposed 2022/23 audit plan. It sets out the process for compiling the plan, evaluating and distributing the resources available, working towards the delivery of a Head of Audit Opinion in late Spring 2023 on the Council's governance, risk management and internal control.
- 1.2. The report also summarises progress towards completing the 2021/22 audit plan and critical findings so far.

2. Recommendations

- 2.1. We recommend the Audit Panel:
 - **Approve** the 2022/23 Internal Audit Plan, and
 - **Note** progress on completing the 2021/22 Internal Audit Plan.

3. Policy Context

- 3.1. An effective internal audit plan provides a key component of the governance structure that will support the delivery of all the Council's priorities.

4. Background

- 4.1. The Accounts and Audit Regulations 2015 (as amended) direct that councils “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards”.
- 4.2. The specific context of how internal audit works in the Council is set out in the agreed [Audit Charter](#), approved by this Panel in June 2021.

Internal Audit Plan 2022/23

5. Public Sector Audit Standards Requirements

- 5.1. The [Public Sector Internal Audit Standards](#) set out how the Head of Audit must compile the audit plan in Standards 2010 to 2030. These direct a Head of audit to:
 - Standard 2010: Establish a risk-based plan consistent with the organisation’s goals. The plan must draw on consultation with Senior Management and consider the organisation’s strategies, objectives, risks and risk management processes. The plan must be flexible to changes in risk and circumstance throughout the year. The plan must also work towards delivering a year-end opinion in line with the agreed Audit Charter.
 - Standard 2010.A1: The plan must draw on a documented risk assessment, undertaken at least annually and prepared in consultation with Senior Management.
 - Standard 2020: The Head of Audit must communicate the plan and resource requirements to senior management and Members for approval. The Head of Audit must also communicate the impact of any resource limitations.
 - Standard 2030: The Head of Audit must evaluate whether resources are appropriate, sufficient and effectively deployed to achieve the plan. In the public sector, additionally, there is a specific obligation on the Head of Audit to explain how they have assessed resource requirements and report to Members any concerns.

6. Risk Analysis and Plan Compilation (Standard 2010)

- 6.1. Preparing the plan began with the seconded interim Head of Audit, who worked with the Council from August 2020 to January 2022. This included a risk analysis led by examining existing risk registers at both strategic and directorate levels. In consultation with Directorate Management Teams, this analysis led to drawing up a series of possible engagements that would focus on the most significant risks identified by the Council.
- 6.2. The Head of Assurance, who started in January 2022, developed this approach by undertaking a broader analysis of audit coverage over the past several years, looking at both Lewisham’s structure and work undertaken by audit teams in neighbouring boroughs. This work identified various areas of Council activity that have not been subject to recent audit review and have limited information to contribute to forming a fuller audit risk analysis.
- 6.3. There have historically been two areas – key financial controls and schools – where audit coverage has been allocated cyclically rather than driven by specific risk analysis. On key financial controls, this has meant an annual review of around ten individual systems and on schools, an examination of each on a three (extended to four during the pandemic) year cycle.
- 6.4. Partly in response to findings emerging from our currently ongoing External Quality Assessment Peer Review (we expect the City of London’s report in mid-March), we

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aim to make the 2022/23 plan more responsive to risk in its compilation and implementation. Specific changes include:

- Designating two types of audit engagements, Type 'A' and Type 'B'. Type A engagements are those derived from specific risk analyses. We aim to complete all of these engagements to inform the 2022/23 Audit Opinion. Type 'B' engagements cover areas where our audit knowledge is reduced, so we cannot offer a complete risk evaluation. For these, in 2022/23, we intend to undertake at least some planning work on each to help create an informed picture of the risk and take forward around half to a full engagement in 2022/23. We will hold the remainder for future years, depending on the assessed risk level.
- On key financial controls, in 2022/23, we will undertake a significant piece of work attempting to enhance our understanding of the individual systems and, in particular, how the components impact one another. For example, we hope to understand how the outputs of system 1 affect the accuracy of information processed by system 2. Running alongside our 2022/23 control testing, we intend that this work will enable us to, in future years, complete targeted risk-based work to deliver assurance on individual key controls as well as broader processes.
- On schools, we will continue with the four-year cycle begun by necessity during the pandemic, with most schools now receiving an audit visit once during that cycle. With the balance of resources made available by that move, we will introduce an element of risk-based planning by identifying around five high priority schools each year where we will undertake an engagement even where they would not otherwise be due. We will draw up this list in consultation with the Council's education services, focusing on schools with recent changes in key personnel, issues arising in previous audits or significant changes in their operation.

6.5. The full list of planned engagements, and an analysis of the consequent audit coverage, is in *Appendix A* of this report.

7. Resource Analysis (Standards 2020/2030)

7.1. The available resource for the internal audit service comprises around 770 total days. This arises as set out in the chart below:

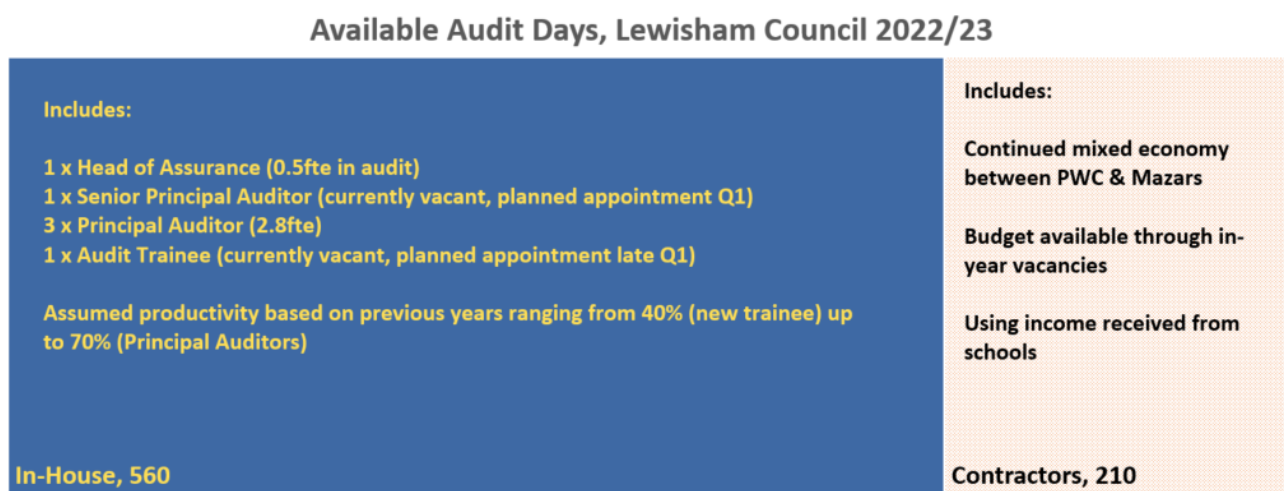


Figure 1: Split in resources between in-house and contract support proposed 2022/23

7.2. This presents an apparent increase on the 600 days set out to the Panel in 2021/22. However, like-for-like, the resource level is materially unchanged. The difference arises because, for 2022/23, we will regard as 'productive' time several activities that have previously been excluded from planning and tracking. These include:

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- Reviewing and approving engagements. Previously, all time spent on audits by management was excluded from consideration, even when that involved work on specific engagements.
- Following up actions. This is a key task in embedding the service improvements resulting from audits and the subject of much Senior Management and Member Interest.
- Planning, reporting and liaison. Reporting our work and providing additional, ad hoc work support and advice is a significant way the audit service can help improve governance across the Council. For example, stepping in to provide assurance when required to access government grants.

7.3. We've included this time in our reckoning to help us understand and track our work in these areas more effectively. This also provides a better comparison with other audit services that include such work as standard within their reckonable time. We aim for 2022/23 to start using the time recording function in our audit software to better track these tasks and aid our reporting.

7.4. However, the Standards still oblige me to report whether I consider the audit service has adequate resources to deliver a robust opinion. There is no objective standard on the quality and quantity of resources needed. However, I've had regard to several indicators when forming a view. First is the relative resource position of Lewisham compared to other London Boroughs, as illustrated below:

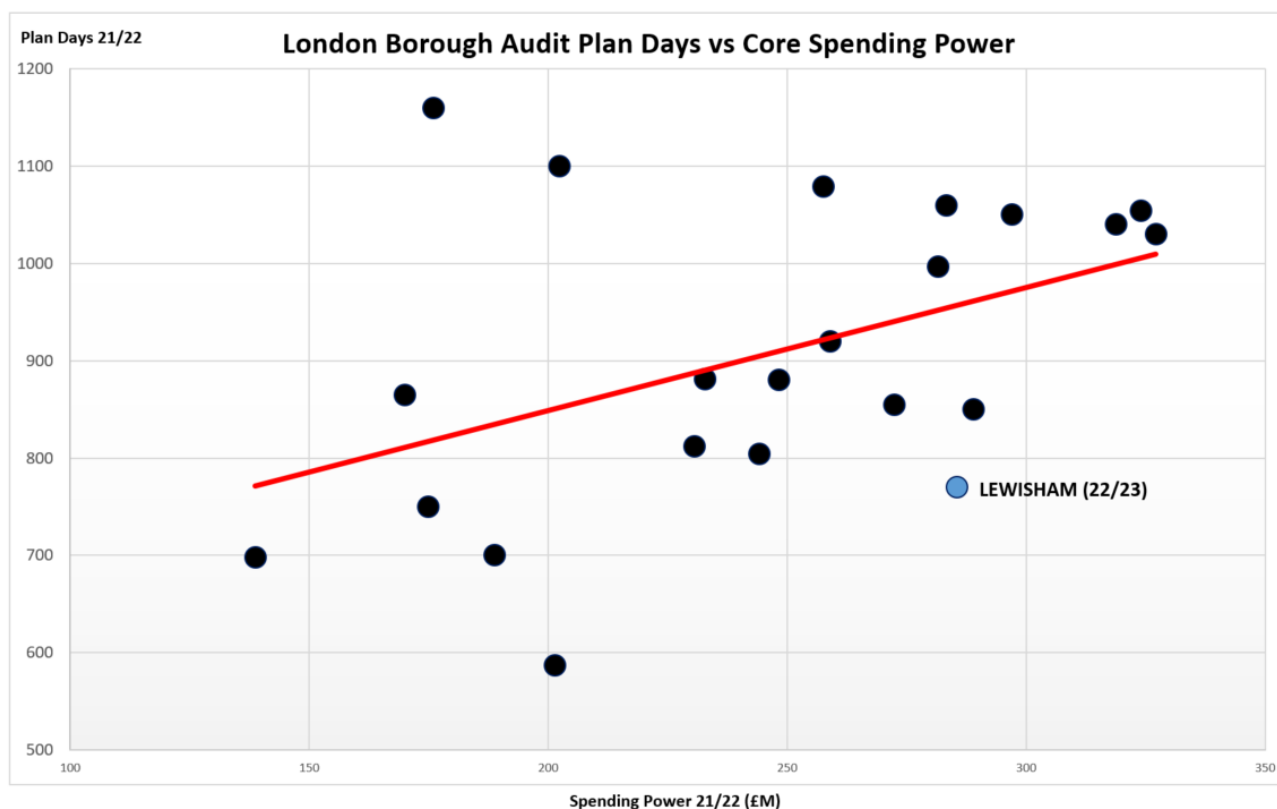


Figure 2: London Borough Audit Plan Days against DLUHC Assessed Core Spending Power (21/22, except Lewisham 22/23)

7.5. Insofar as there is any correlation between audit plan size and authority size, it seems Lewisham is on the lower end of the scale. However, one must note that Lewisham (unlike many other boroughs) has an arms-length housing authority – Lewisham Homes – that separately appoints Mazars as its internal auditor. Adding back those days would bring the Council closer to ‘average’.

- 7.6. Also, resourcing is not simply a numbers game. The Standards make clear Heads of Audit need to consider quality and quantity. At Lewisham, we have a mixed economy that draws in expertise from PwC and Mazars, both highly experienced audit firms.
- 7.7. We also have an in-house team structured as below:

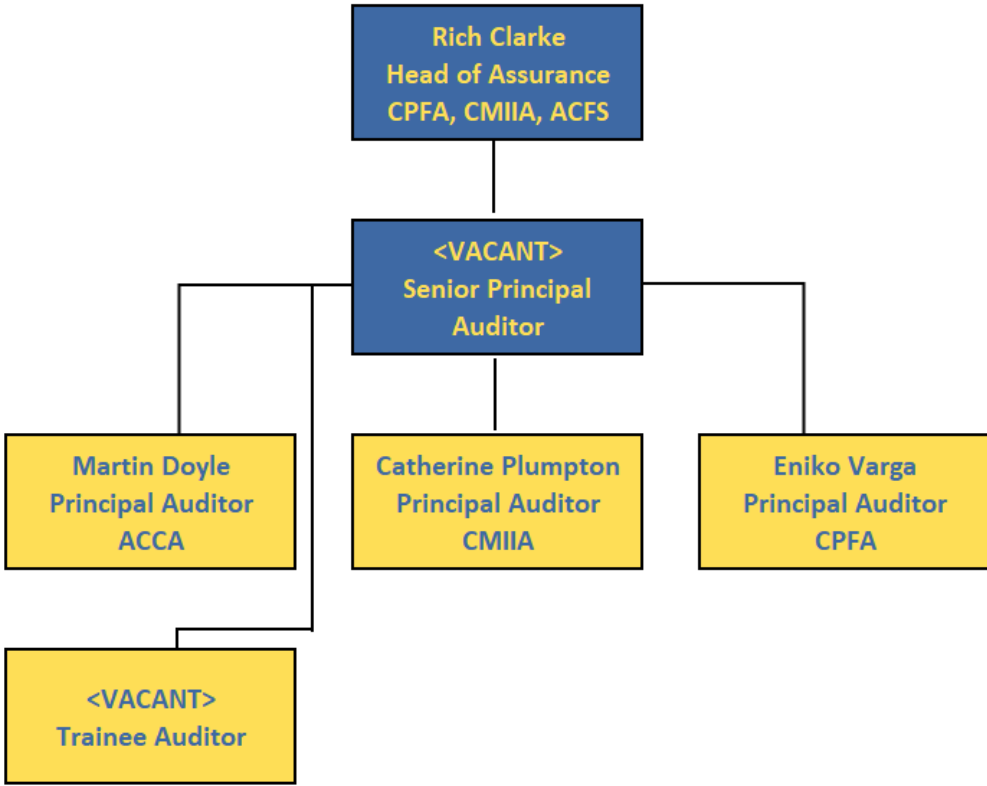


Figure 3: Lewisham Council Internal Audit Team at 1/3/22

- 7.8. Members will note, uniquely in my experience, the entire team holds relevant professional qualifications. Although the team is carrying vacancies, we hope to fill these early in 2022/23.
- 7.9. In conclusion, therefore, I am content to report to Members that, having considered the risk environment, the Council has adequate resources to deliver robust internal audit assurance in 2022/23.

8. Proposed Internal Audit Plan 2022/23

- 8.1. Appendix A includes a complete list of proposed engagements. We have drawn up this list based on the risk assessments detailed in section 6 of this report and in consultation with Directorate and Executive Management Teams at the Council and with external audit and colleague groups such as the Local Authority Chief Auditors' Network outside the Council.
- 8.2. The table below sets out headline resource allocation between the different tasks set out in the plan. It also shows the planned division between in-house Mazars and PWC resources.

TASK (# Engagements)	TOTAL DAYS	IN-HOUSE	PWC	MAZARS
Key Financial Controls (1)	70	45	25	
Type A Engagements (14)	210	210		
Type B Engagements (c.7)	105	105		
IT Engagements (2-3)	30		30	
Schools Engagements (25)	185	35		150
Audit Planning & Reporting	30	30		
Member Liaison & Training	5	5		
Agreed Action Follow Up	55	50	5	
LB Croydon Peer Review (1)	10	10		
Unallocated Time	70	70		
Total Days	770	560	60	150

Figure 4: Task Resource Division 2022/23 Proposed Audit Plan

- 8.3. A note on the peer review. Under Standard 1312, an audit service must obtain an External Quality Assessment (EQA) at least every five years. The Standards direct that the EQA must be conducted by an assessor experienced in both the practice of internal audit and the assessment approach. Lewisham Council is part of a peer review network managed by the London Audit Group wherein Boroughs undertake EQAs on one another across a cycle. Direct one-to-one peer reviews are thought to be too much of a potential conflict of interest, so councils do not complete EQAs at the borough, which undertook their own review.
- 8.4. Lewisham's peer review has been underway since before Christmas, led by the City of London. We expect the draft report by mid-March and hope to bring the final report to this Panel at its next meeting. In exchange, we are committed to undertaking an EQA at Croydon in 2022/23.
- 8.5. As described in section 6, we have in 2022/23 made a deliberate effort to expand audit's horizons and consider a broader range of areas across the Council. This reflects the important role of services across the Directorates in delivering Council objectives and, as a result, the broader spread of risk than accounted in audit planning in previous years. In particular, the steps noted at 6.4 aim to move towards a more comprehensive and directly risk-based plan for 2023/24. The chart below shows how this changes the balance of planned work between Directorates.

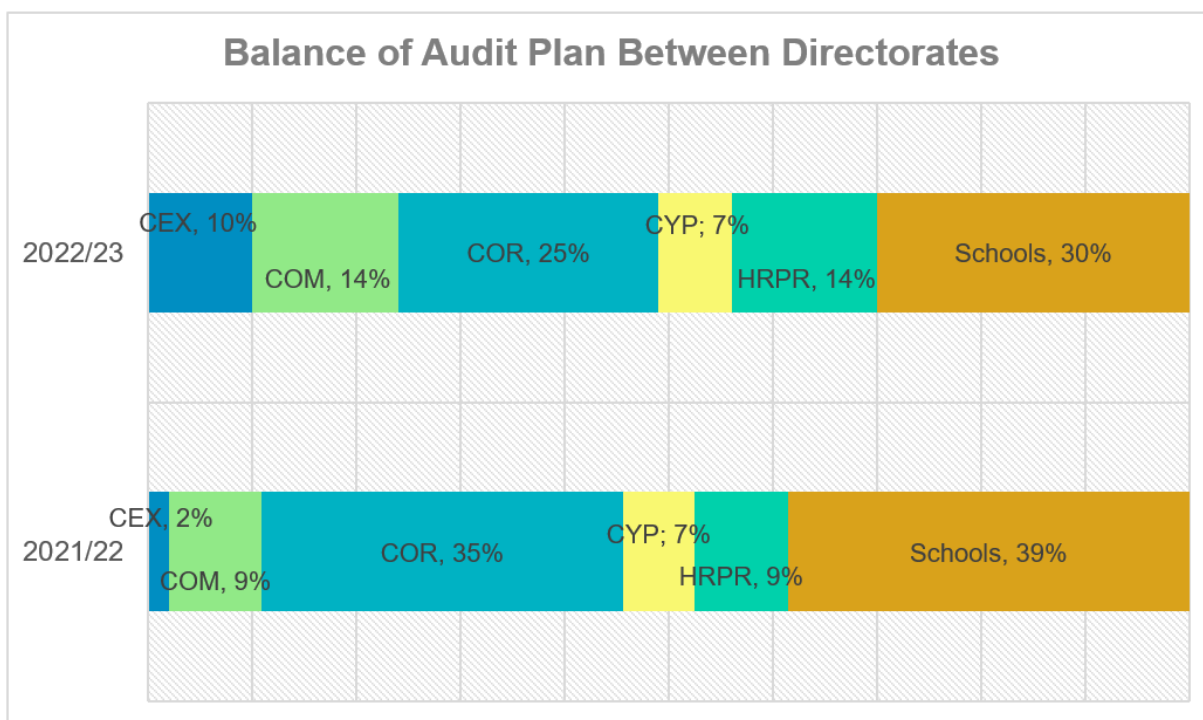


Figure 5: Division of planned audit work between directorates, year to year

- 8.6. The above analysis represents the plan at the time of reporting. However, Standards (especially 2010 on Planning) emphasise the need to keep the plan flexible and responsive to changing needs and risk. This flexibility need is the chief driver for including in the 2022/23 plan, for the first time, a balance of unallocated days set at around 10% of the total. This means not only can we have more ability for rapid response, but that we can accommodate tasks arising in the year without withdrawing planned engagements.
- 8.7. These additional tasks might include, for example, a need to provide certification assurance for central government grants or look more deeply at findings of concern arising from an individual engagement. We will track the use of this time, as noted at 7.3, and report outcomes to Senior Management and Members through this Panel.
- 8.8. However, the need may also arise beyond these unallocated days to make amendments to the plan in response to changing circumstances or as our understanding develops. We will report any plan amendments to EMT and the Audit Panel in our routine reporting. For exceptionally significant changes to the plan, such as removing a planned engagement or a material alteration in resource availability, we will consult EMT and this Panel (or its Chair where the need is urgent between meetings) before amending the plan.

Audit Progress Update 2021/22

9. Completed Engagements

- 9.1. Since the last update to the Panel in December 2021, we have concluded the following seven engagements.

Engagement Title	Assurance Rating	Finding Priorities		
		High	Medium	Low
Corporate Resources				
Capital Expenditure	Satisfactory	1	5	0
Client Contributions for Care Provision	Limited	3	3	1
Chief Executives				
HR Policies (Follow Up)	N/A	(2)	(1)	0
Children & Young People				
Early Help Service Transformation	Limited	2	5	1
Schools				
Downderry Primary	Satisfactory	2	3	1
Baring Primary	Limited	4	4	4
All Saints CofE Primary	Satisfactory	1	8	1

Figure 6: Completed Engagements since December 2021 Audit Panel Update

- 9.2. Actions for the follow-up review are in brackets to show we found the actions agreed in the original report published April 2021 are complete.
- 9.3. In Appendix C, we provide more information about the three engagements completed with an adverse assurance rating.

10. Agreed Action Implementation

- 10.1. A significant part of internal audit's mission to add value and improve the Council's operations is ensuring officers complete agreed actions following audit findings. This has been in recent times reckoned as an area of weakness at Lewisham, with significant interest from this Panel in seeking an improved record.
- 10.2. Officers have made significant progress in recent years. The implementation rate for 2019/20 reported to this panel was 56%. We began the year with a significantly higher rate, but still some persistent outstanding actions, some dating back to 2017. In December 2021, Members received a detailed report setting out the then 14 outstanding overdue high priority actions.
- 10.3. The current position is we have just 7 outstanding overdue high priority actions. Six of these are in the same area – Oracle Payroll controls – where we are in close communication with the service and the PwC specialists who undertook the audit in autumn 2021. Here we understand the reasons for delays and have conducted work on the interim controls that remain in place.
- 10.4. While this represents a significant improvement that has continued to enhance the Council's control environment, it has exposed the next frontier for improvement in increasing how often officers are able to complete actions on time. The chart over the page shows the current position (as at 1 March 2022) for all 150 high priority actions that were live in 2021/22 (comprising 40 brought forward from 2020/21 and earlier, and 110 raised in year).
- 10.5. For 2022/23 we will focus on helping officers to complete actions on time. This includes reviewing our own approach, to make sure we are agreeing on clear and precise actions that allow a fair evaluation of a target date and looking at how we consider deferral requests

High Priority Actions Live During 2021/22

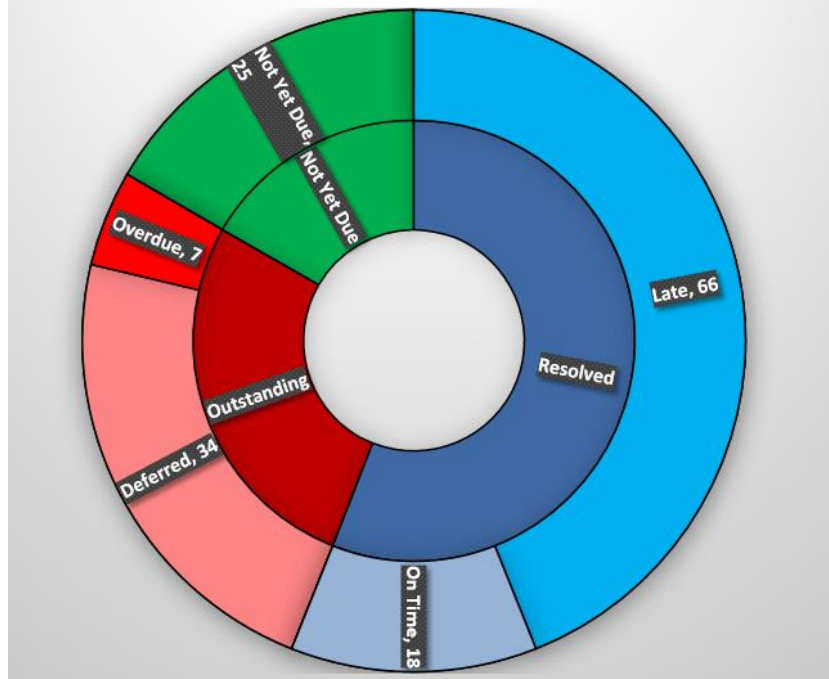


Figure 7: Position of High Priority Actions Live During 2021/22 as at 1 March 2022

11. Concluding The 2021/22 Audit Plan

- 11.1. In December, we reported to Members that continued resource pressure caused by vacancies, restructures and diversion to covid-related work had led to a small number of engagement cancellations.
- 11.2. Since December, the restructure complete and covid-related work at a low level, we have continued to complete the remaining plan. Our current expectation is that we will complete the remaining work in sufficient time to support a robust Head of Audit opinion to inform the Council's Annual Governance Statement.
- 11.3. Appendix B sets out the engagements listed on the 2021/22 Audit Plan and progress so far and expected.

Report Implications, Background Papers and Appendices

12. Financial implications

- 12.1. The 2022/23 audit plan uses resources drawn from agreed budgets.
- 12.2. There are no further financial implications arising directly from the report.

13. Legal implications

- 13.1. The Accounts and Audit Regulations 2015 (as amended) direct the Council to undertake an effective internal audit, having regard to Public Sector Internal Audit Standards. This plan and update help the Council fulfil its obligations as set out in the Regulations.
- 13.2. There are no further legal implications arising directly from the report.

14. Equalities implications

- 14.1. There are no equalities implications arising directly from the report.
- 14.2. Members may be interested to note that we are participating, through our involvement in the London Audit Group, in the first nationwide study on diversity within local authority internal audit. Results of the study will be available in early summer.

15. Climate change and environmental implications

- 15.1. There are no climate change or environmental implications arising directly from the report.

16. Crime and disorder implications

- 16.1. There are no crime or disorder implications arising directly from the report.

17. Health and wellbeing implications

- 17.1. There are no health and wellbeing implications arising directly from the report.

18. Background papers

- 18.1. There are no relevant background papers to note.

19. Report author and contact

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

20. Appendices

- Appendix A – List of engagements proposed for 2022/23 Audit Plan
- Appendix B – List of 2021/22 Audit Plan engagements with progress
- Appendix C – Summaries of recently completed engagements with adverse assurance ratings

All appendices appear as subsequent pages to this report rather than as separate documents.

Appendix A

List of Planned Engagements 2022/23

Title	Est. Days	Type
Chief Executive's Directorate		
Programme Management Office (see note 1)	40	A
Elections (see note 2)	15	B
Communications	15	B
Wholly Owned Company Governance	15	B
Corporate Resources Directorate		
Key Financial Controls (see note 3)	70	A
Contract Procurement	15	A
Contract Management	15	A
IT Audit: Application	12	A
IT Audit: Asset Management	12	A
Business Continuity Planning	15	A
IT Audit: Risk Assessment Follow Up	10	B
Counter Fraud & Corruption	15	B
Housing, Regeneration and Public Realm Directorate		
Corporate Asset Management (Voids)	15	A
Section 106/CIL	15	A
Flood Management	15	A

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Title	Est. Days	Type
Wearside Depot Operations	15	A
Food Safety	15	B
Parking Enforcement	15	B
Building Control	15	B
Community Services Directorate		
Air Quality Strategy	15	A
Adult Safeguarding	15	A
Client Contributions For Care Provision	15	A
Preventative Health Services	15	A
Libraries	15	B
Parks	15	B
Bereavement Services	15	B
Children & Young People Directorate		
Child Safeguarding	15	A
Special Needs Commissioning	15	A
Early Years Education	15	B
Access and Inclusion	15	B
Schools		
Routine Cycle Schools (see note 4)	150	n/a
Priority Schools (see note 4)	35	n/a

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Type A: Identified for review following examining Directorate and Corporate Risk Registers.

Type B: Identified for review following examining prior years' audit coverage, council financing information and audit plans of other boroughs. None of these areas have received an internal audit review at Lewisham for 5+ years. We will undertake at least some work in each Type B area during 2022/23 to either (a) support an in-year engagement or (b) better inform a risk assessment for an engagement scheduled in a subsequent year. We expect to deliver about half of the Type B areas as 2022/23 engagements.

Note 1: Planned as deep dive into a small selection of transformation projects, examining project governance, financial controls, reporting and benefits realisation.

Note 2: Work to begin subsequent to 2022 council elections.

Note 3: Currently a list of 11 systems each examined annually. The plan in 2022/23 is to treat as a larger project with PWC assistance, with individual and combined reports and an overarching goal of mapping controls and assurance sources to inform a fully risk-based approach from 2023/24 onwards.

Note 4: As set out at 6.4, we aim to move away from a flat 3-year cycle towards a more risk based approach. For 2022/23 that will mean having a standard 4-year cycle for most schools (around 20 per year) with a smaller number of priority schools (around 5) highlighted because of risk indicators such as recent changes in key management. We will work with the Council's schools service in Q1 of 2022/23 to draw up a full programme.

Appendix B

Audit Plan 2021/22 Progress

Engagement Title	Status	Actual / (Expected) Report Date
Audit Work Complete		
Compliance & Enforcement Surge Funding Grant	Certified	30 April
Community Testing Programme Grant	Certified	3 August
Climate Change	Final Report	11 October
Youth First Contract Management	Final Report	26 October
SEND Contract Management	Final Report	26 October
Coopers Lane Primary	Final Report	22 November
Downderry Primary	Final Report	30 November
Early Help Service Transformation	Final Report	30 November
Baring Primary	Final Report	13 January
Client Contributions For Care Provision	Final Report	17 January
Capital Expenditure	Final Report	17 January
All Saints CofE Primary	Final Report	31 January
HR Policies Follow Up	Final Report	9 February
Council Tax	Draft Report	(8 March)
Business Rates	Draft Report	(8 March)
Health & Safety On Corporate Estate	Draft Report	(15 March)
Beecroft Garden Primary	Draft Report	(15 March)
Brindishe Lee Primary	Draft Report	(15 March)
Homelessness	Draft Report	(22 March)
Data Protection	Draft Report	(30 March)
Academy (IT Audit)	Draft Report	(30 March)

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Page 84

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Engagement Title	Status	Actual / (Expected) Report Date
Audit Work Underway		
Supporting Families Grant	Fieldwork	(31 March)
Targeted Community Testing	Fieldwork	(31 March)
Brent Knoll Special	Fieldwork	(31 March)
St Winifred's Catholic Primary	Fieldwork	(31 March)
Grinling Gibbons Primary	Fieldwork	(31 March)
John Ball Primary	Fieldwork	(31 March)
Sir Francis Drake Primary	Fieldwork	(31 March)
Health & Safety In Temporary Accommodation	Fieldwork	(11 April)
Housing Benefit & CTRS	Fieldwork	(15 April)
Banking	Fieldwork	(15 April)
Main Accounting System	Fieldwork	(15 April)
Pension Scheme Administration	Fieldwork	(17 April)
Asset Management	Fieldwork	(17 April)
Payroll	Fieldwork	(17 April)
IT Security Arrangements	Terms Agreed	(30 April)
Treasury Management	Terms Agreed	(30 April)
Audit Work Scheduled		
Eliot Bank Primary	Scheduled	(30 April)
Haseltine Primary	Scheduled	(30 April)
New Woodlands Special	Scheduled	(30 April)
Our Lady and Philip Neri	Scheduled	(30 April)
Elfrida Primary	Scheduled	(30 April)
Kelvin Grove	Scheduled	(30 April)

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Engagement Title	Status	Actual / (Expected) Report Date
St William of York Catholic Primary	Scheduled	(30 April)
Fairlawn Primary	Scheduled	(30 April)
Accounts Receivable	Scheduled	(14 May)
Accounts Payable	Scheduled	(14 May)
Highways Follow-Up	Scheduled	(14 May)
Adult Safeguarding	Scheduled	(31 May)
Environmental Services Budget Management	Scheduled	(31 May)
Holy Trinity CE Primary	Scheduled	(31 May)
St Bartholomew's CE Primary	Scheduled	(31 May)
Greenvale Special	Scheduled	(15 June)
St James' Hatcham CE Primary	Scheduled	(15 June)
Perrymount Primary	Pending	(tbc)
St John Baptist CE Primary	Pending	(tbc)
St Saviour's RC Primary	Pending	(tbc)
Cancelled Engagements (all previously advised)		
Section 106/CIL	Cancelled	N/A
Building For Lewisham	Cancelled	N/A
Office 365	Cancelled	N/A
Risk Management	Cancelled	N/A
Leisure Contract	Cancelled	N/A
Business Continuity in Community Services	Cancelled	N/A
Budget Management (CYP)	Cancelled	N/A
Partnership Arrangements (COM)	Cancelled	N/A
Performance Information	Cancelled	N/A

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Page 86

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Appendix C

Adverse Assurance Rating Engagement Summaries

21. Early Help Service Transformation (30 November 2021)

Overall Audit Opinion - Limited

Process Areas		High	Medium	Low
★	1. Governance	0	1	0
▲	2. Project Management, Deliverables and Outcomes	1	3	0
▲	3. Monitoring and Reporting	1	1	1
Total		2	5	1

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

Key Findings

- A detailed programme plan was not developed for the Early Help & Prevention Programme that set out what needed to be done, milestones, timescales and action owners. In addition, it was identified that a progress tracker was not maintained for the Programme that detailed progress against actions / milestones. Therefore, all the objectives of the programme in terms of transforming the early help services may not have been achieved.
- A framework for monitoring the impact of the Early Help & Prevention Strategy has not been developed. In addition, quality assurance measures for the outputs / deliverables of the Strategy are not in place.
- A detailed risk register was not developed for the Early Help & Prevention Programme to enable monitoring of the risks that could prevent achieving the objectives of the Programme.
- A reporting framework was not developed for the Programme that detailed the frequency of reporting to each board and by whom, or what information content should be shared. In addition, a detailed communication plan was not developed that detailed the frequency and information to be shared with the different stakeholders of the Programme.
- As per the Early Help & Prevention Improvement Programme Board terms of reference, the board was required to meet monthly. However, meeting minutes could only be provided for one meeting of the Board.
- Early Help & Prevention Programme documentation was not stored in a consistent shared location.
- it was reported to Mayor & Cabinet on 9 December 2020 that a full equalities analysis assessment (EAA) was being completed for each operational delivery plan underpinning the seven work streams in the Early Help and Prevention Strategy. However, an EAA for only one workstream has been completed to date.

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Areas that worked well

- The programme objectives, scope, benefits and high level measures of success were developed and documented at the start of the programme.
- A programme board was created to monitor the delivery of the objectives of the Early Help and Prevention Improvement Programme. In addition, terms of reference for the programme board were developed.
- A project initiation document (PID) was developed for the Early Help and Prevention Improvement Programme. The PID was approved by the Council's Executive Management Team (EMT).
- Since the Early Help & Prevention Strategy was approved by Mayor & Cabinet on 9 December 2020, a quarterly report has been presented to the Children & Young People Select Committee on the progress with implementation of the Strategy.

22. Client Contributions for Care Provision

Overall Audit Opinion - Limited

	Process Areas	High	Medium	Low
★	1. Service Users with Care Packages and Their Eligibility for Care and Support From the Council	0	0	0
▲	2. Carrying Out Financial Assessments	2	1	0
★	3. Issuing of Invoices	0	0	0
▲	4. Deferred Payment Agreements (DPA)	1	2	1
	Total	3	3	1

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

Key Findings

- Testing of four service users with an active deferred payment agreement (DPA) account on ContrOCC identified: three had not been charged a set-up fee and three had not been charged an annual administration fee. In addition, a review of two terminated DPAs identified for one, which was paid and closed, that no interest had been charged to the deferred account on Oracle Cloud.
- The Adult Social Care Charging and Financial Assessment Framework was reviewed and updated on 12 July 2021. However, the revised charging framework has not been published on the Council's website. In addition, a version of the charging framework is still published on the Council's website, which was previously found to have inconsistencies between the value of the upper capital limit for clients receiving non-residential care on the policy and the information published on the Council website.
- It was identified for three out of 10 service users whose packages of care were being funded temporarily through the national discharge fund via the NHS, that they were not returned to normalised client charging after the funding ceased. This resulted in the Council failing to issue invoices to the three service users, totalling £18,884.85.
- A review of four non-residential financial assessments for new service users identified for all four cases that the relevant Adult Social Care officer did not request a pre-service financial assessment as soon as it was apparent that the service user was going to require a package of care, as required by procedures. This resulted in a delay in each service user's financial assessment being carried out.
- A project commenced in August 2021 to migrate DPA debtor accounts from Oracle Cloud onto ContrOCC. However, testing of five DPAs identified one had not been migrated. In addition, testing of three DPA accounts that had been migrated to ContrOCC identified for all three that the deferred debtor account on Oracle Cloud had not been credited and closed after the migration.

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Page 89

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- It was identified for one DPA which was entered into on 30 January 2021 that a legal mortgage charge was not secured on the service user's property with HM Land Registry as security nor did the Council have a priority on the service user's property with HM Land Registry to prevent registration of a first legal mortgage charge by another party.

Areas that worked well

- A review of Adult Social Care records for 20 service users with an active package of care and no financial assessment identified that all 20 service users were exempt from charging.
- A review of 10 financial assessments identified for all 10 assessments that relevant financial information such as benefits, occupational pension, property ownership, disability-related expenditure, other expenses and savings was obtained. It was confirmed for each assessment tested, that the data entered on the financial assessment agreed to the source documents and the income, expenses and capital were treated in line with legislation and Council policy.
- A review of charges invoiced to a sample of 50 service users since the implementation of client charging on ContrOCC on 29 March 2021 identified for all 50 service users that the amount invoiced through Oracle Cloud matched the amount on each service user's financial assessment.
- Reconciling the total value of invoice and credit notes on the interface file exported from ContrOCC for three four-weekly billing periods to the invoices and credit notes generated on Oracle Cloud identified for all three billing periods that the amounts matched.
- Testing of two DPAs identified for both DPAs that a written contract was in place which was signed by both the service user or their power of attorney and a senior officer of the Council.

23. Baring Primary School

Overall Audit Opinion: Limited

	Process Areas	High	Medium	Low
■	1. Procurement	3	1	0
▲	2. Income	0	1	0
●	3. Asset Management	0	0	1
●	4. Governance	1	0	1
▲	5. Budget Monitoring	0	1	0
▲	6. Banking	0	0	1
★	7. Payroll	0	0	0
▲	8. HR	0	1	0
●	9. Information Security	0	0	1
Total		4	4	4

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

Key Findings

- The School's Financial Management Policy did not include procurement card procedures, did not clearly detail the delegated financial limits of the Headteacher or School Business Manager (SBM) for purchases and incorrectly detailed that the school voluntary fund did not need to be separately audited (Medium).
- Finance and Personnel Committee (and /or Governing Body) approval was not evidenced for the sample of three purchases with a value of over £5000 tested (High).
- The purchase orders for two of the sample of 15 transactions tested were raised after the corresponding invoice dates. In addition, goods or services received checks were not evidenced for 12 out of the sample of 15 transactions sampled (High).
- Appropriately completed 'Check Employment Status for Tax' (CEST) checks were not available for the sample of four transactions tested (where payment had been made to individuals) (High).
- There was no evidence of required meetings being held with the Headteacher, payment plans being agreed or the Governing Body informed for the two outstanding debts sampled (one of which was written off and the other was covered by the Council). In addition, the Debt Recovery Policy was dated 2017 – 2019 (Medium).
- Disposal documentation was not available for the sample of two disposed inventory items tested. Furthermore, one of the items (recorded as disposed of in 2015) was still held at the School (Low).
- The School's voluntary fund had not been audited since 2017/18 (High).

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Page 91

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- The School has not published Governing Body meeting minutes online, as required by regulations (Low)
- Reconciliation of the 2020/21 approved budget to the budget input onto the School's Financial Management System (FMS) identified a number of variances (Medium).
- Although copies of instructions to the bank to add or remove bank signatories were held by the School, a confirmation from the bank of the current signatories at the School was not available at the time of audit (Low).
- Appropriate evidence of 'Right to Work in the UK' checks had not retained for the one new starter in the last 12 months (Medium).
- While daily data back-ups of the School's Financial systems were conducted, copies of these were only taken off site weekly (Low).

Areas that worked well:

- Invoices had been authorised for payment.
- The Governing Body met as required.
- The correct payroll payments were made.
- Manual records were held securely on site.
- The School's bank account was not overdrawn at any stage during the last financial year.



Audit Panel

Report title: Risk Management Update

Date: 15 March 2022

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Kathy Freeman, Executive Director for Corporate Resources, Rich Clarke, Head of Assurance, Karen Eaton, Group Manager, Insurance and Risk

Outline and recommendations

1. The purpose of this report is to update members of the Audit Panel on the Council's Strategic Risks, as detailed in the Strategic Risk Register, for the quarter ending 31 December 2021.
2. Audit Panel are recommended to:
 - (i) note this report
 - (ii) note the Strategic Risk Register
 - (iii) note the update on cyber risks

1. Recommendations

1.1 The Audit Panel are recommended to:

- (i) note this report
- (ii) Note the Strategic Risk Register
- (ii) note the update on cyber risks

2. Policy Context

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

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

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

3. Background

3.1 Risk continues to be identified and managed in accordance with the Council's Risk Management Strategy. The Risk Management Strategy was reported to, and approved by, Audit Panel in June 2021 and is due to be reviewed during 2022.

3.2 Audit Panel have previously requested an update on Cyber risks for the March 2022 meeting.

3.3 EMT have received papers discussing options for the future management of risk in October 2021 and February 2022. The outcomes of these high level discussions will shape the outcome of the review of the Risk Management Strategy and progress will continue to be reported to this Panel.

3.4 EMT last reviewed and approved the Strategic Risk register on 26 January 2022 and will continue to work to the existing Strategy until completion of the review of arrangements.

3.7 This reports summarises the risks identified as at the end of December 2021.

4. Summary of Strategic Risk Changes this quarter

4.1 There are no new risks added to the register this quarter

4.2 There are no changes in the risk scores (current or targets) in this period.

4.3 All risks in the register have been reviewed by the risk owners and narrative and actions have been updated as appropriate for each.

- 4.4 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	Reference & Title	Current	Target	Change
Red – Red (High risk & big variance from target)	2.A.1: Internal Control	16	8	None
	2.B.2. Cyber Security	15	5	None
	5.A.1. Unbalanced Budget	20	4	None
Amber-Red (Medium risk and big variance from target)	1.A.1: Information Governance Failure	9	3	None
	1.A.2: Implement Service Change	12	4	None
	1.B.1. Health & Safety	12	6	None
	1.B.3. Climate Change	12	6	None
	3.A.2. Management Capacity	12	6	None
	3.B.1. Ineffective Partnerships	8	4	None
	3.B.2. Integrated Health/Care Models	12	4	None
	4.A.1. Strategic Supplies & Procurement	12	6	None
	4.B.1. Performance Failure	12	4	None
5.A.2. Unforeseen Expenditure	12	6	None	
Red-Amber	2.A.3. Delivery of Strategic Change	15	10	None
Red-Green (High risk & minor variance from 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 Actions in the Strategic Register are either completed or progressing satisfactorily in accordance with expected timescales, albeit that some slippage has occurred or action by dates extended, largely due to the diversion of resources as a result of COVID-19.
- 5.2 Various actions continue to have 'ongoing' with no next milestone date in the 'By when' column. EMT have instructed that milestone dates are a requirement wherever appropriate. This should be corrected for the next register, due at the end of March 2022.
- 5.3 A paper updating on the management of cyber risk, as requested by the Audit Panel is at Appendix 2.

6. Horizon Scan – Future Risks

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

Political

- Integration of elements of the Health system – including commissioning (Health & Care Bill)
- Changes to funding flows in respect of NNDR and CTax Benefit
- Risk of judicial review on impact of Covid changes made (e.g. LTN Covid changes)
- Trend to free schools and academies
- Governance and operational impact of Devolution agenda for London on Lewisham priorities
- potential policy changes following the Queen’s speech may introduce risks

Economic

- Continuing austerity measures restricting work of local government
- Catford and Lewisham regeneration/development, including Bakerloo line, new build priorities organisation of housing service providers
- Impact of migration on demand for services (short and medium term)
- Consequence of Brexit
- Changes to National Funding Formula for schools and falling rolls
- Recession and contraction of the economy as a result of the COVID-19 pandemic
- End of furlough
- Building Safety Bill
- Adult Social Care reforms
- External review of ASC practice
- Merger of CCGs
- Global commodity price increases/shortages

Social

- Resourcing (skills) mix and staff churn from reorganisation changes
- 2021 Census outcomes and predicted demographic changes (population growth impacts)
- Consequence of Brexit economic and Hong Kong immigration changes
- Consequence of COVID-19 and widening inequalities
- Estate rationalisation and impact on ways of working
- Impact of Universal Credit reduction, Welfare Reform and Public Services legislation
- End of furlough

Technological

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

Legislation

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

Environment

- Carbon Reduction Commitment
- Environment Bill

7. Summary & Conclusions

- 7.1 The Council manages risk in accordance with its Risk Management Strategy 2017 – 2022 but are in the process of reviewing these arrangements.
- 7.2 The risk registers have been reviewed for the period ending 31 December 2021 and the Strategic Risk Register has been updated to reflect the assessment of risk to the Council at that time.
- 7.3 The Strategic Risk Register was reviewed and approved at EMT at its meeting on 26 January 2022 and is appended to this report at Appendix A.
- 7.4 There have been no score changes. No new risks have been added and none have been deleted since the December 2021 register.
- 7.5 The Risk Management Strategy will be updated and arrangements for more aligned procedures for the identification, management and monitoring of risk will take place during 2022.

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

Strategic Risk Register – December 2021

Page 100

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

Strategic Risk Register – December 2021

Ref	Risk Category – levels 1 & 2	Lead	RAG	Change / Comment	
4	SERVICES REPRESENT VFM				
4A	Procurement	1. Failure to manage suppliers and procurement programmes.	CR	A	Reviewed and updated
		2. Global commodity price increases/supply chain shortages	CR	A	Reviewed and updated
4B	Performance	1. Failure to manage performance leads to service failure	CEO	A	Reviewed and updated
		2. Delivery of Building for Lewisham fails	HRPR	A	Reviewed and updated
		3. Comply with RSH Consumer Standards	HRPR	A	Reviewed and updated
5	MANAGE WITHIN BUDGET				
5A	Financial	1. Financial failure unable to maintain delivery within balanced budget	CR	R	Reviewed and updated
		2. Unforeseen expenditure/loss of income from funding streams	CR	A	Reviewed and updated
		3. Loss of income - debt collection	CR	A	Reviewed and updated
5B	Bus. Continuity	1. Failure to contain impacts of emergency	CR	A	Reviewed and unchanged
	Covid	2. Contain the impacts of Covid-19 and deliver services	CEO	A	Reviewed and unchanged
6	OTHER				
		1.			

Page 101

Scoring

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

RAG rating

- △ Red
- Amber
- ★ Green

Direction of Travel

- ↗ Better
- Same
- ↘ Worse

Strategic Risk Register – December 2021

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: A. Governance										
1.A.1	Information Governance failure	●	9	6	★	➔	Executive Director for Corporate Resources	<p>Developed new data protection course for all staff taking into account current hybrid working arrangements.</p> <p>New data protection training has been pushed out to all staff as of January 2022.</p> <p>The first phase of security training and awareness has been pushed out to all staff as of January 2022. This includes raising cyber awareness around risks of malicious e-mail.</p> <p>Established policy framework</p> <p>Information asset and security environment audits undertaken</p> <p>Regular EMT briefings - Director has been invited to and will attend EMT with an update on IG work and activities</p> <p>New SIRO and MD of shared service briefed and aware of past vulnerabilities</p>	<p>Policy review for 2022 has already begun.</p> <p>Quarterly report to Executive Directors giving updates on data breaches and DPA training completion rates.</p>	<p>End of Q1, 2022</p> <p>January 2022</p>
	Impact		3	3						
	Likelihood		3	2						

Strategic Risk Register – December 2021

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: A. Governance										
1.A.2	Governance (opportunities and threats) in the implementation of service changes	●	8	8	★	➔	Director of Law, Governance & Elections	<ul style="list-style-type: none"> Corporate Strategy to 2022 adopted Member and Director finance training delivered and additional budget briefing sessions organised .This will continue for future years 21/22 budget agreed by Council following a new, themed approach New corporate programme management office established to ensure consistent approach to major programme and projects with grip and delivery central elements. 	<ul style="list-style-type: none"> Implementation of 21/22 service changes in line with Budget to live within financial limits. Readying the organisation for end of lockdown following Government's roadmap, Planning for "recovery" is taking shape, aligned with London Recovery Board and missions 	End of March 2022 Done April 12 th ; May 17 th and June 21 st 19 th July 2021 all subject to review by Govt
	Impact		4	4						
	Likelihood		2	2						

Strategic Risk Register – December 2021

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.1	Non-compliance with Health & Safety legislation	●	12	6	△	➔	Chief Executive	<ul style="list-style-type: none"> Directorate H&S Working Group meets quarterly with representation from across all divisions and reports to Unions 	<ul style="list-style-type: none"> CH&S Board monitoring progress with fire risk works and statutory & planned building maintenance works 	Next Qtly meetings Jan 22
								<ul style="list-style-type: none"> Programme of H&S training available. Programme initiated in conjunction with HR. 	<ul style="list-style-type: none"> Continued to work with HR to ensure adequate training (induction & bespoke) is available 	Ongoing
								<ul style="list-style-type: none"> Recording, monitoring and comparison of incident reporting figures. Statistics shared and discussed with Directorates at quarterly meetings 	<ul style="list-style-type: none"> Continual monitoring to ensure incident reporting process is followed 	
								<ul style="list-style-type: none"> Corporate H&S guidance updated and includes post-COVID practices. 	<ul style="list-style-type: none"> Continue to implement changes to H&S governance as part of LBL restructure. Reviewing revisions to service H&S risks for assessments impact of Covid risks 	Ongoing
								<ul style="list-style-type: none"> Corporate H&S manual - draft issued for comment. Review of existing fire & first aid arrangements, post COVID Self-assessments/ questionnaires submitted for comment/approval 	<ul style="list-style-type: none"> Second draft to be completed upon receipt of feedback Proposal to give mandatory fire training to all staff To be rolled out to Directorates 	Jan 22
							<ul style="list-style-type: none"> Risk mapping assessments submitted to Directorates 	<ul style="list-style-type: none"> To be rolled out to Directorates 	Jan 22	
							<ul style="list-style-type: none"> Building Statutory Compliance – fire, water and asbestos risk assessment programme in place 	<ul style="list-style-type: none"> Review and tender of services 	Mar 22	

Strategic Risk Register – December 2021

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										
								<ul style="list-style-type: none"> • Building Statutory Compliance – property inspections to audit completion of statutory compliance maintenance and reactive works • Action in progress to identify the individuals responsible for all Council Operational buildings • Water, Fire and Asbestos policies currently under review (further to COVID, council re-structure, etc) 	<ul style="list-style-type: none"> • Ongoing • Directorates to be kept informed of status/issues • Required training to be provided to all these people ensure understanding of responsibilities, particularly asbestos, legionella and fire risk • Finalise drafts 	Ongoing
	Impact		4	3						
	Likelihood		3	2						

Strategic Risk Register – December 2021

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.2	Failure to anticipate and respond appropriately to legislative change	●	8	8	★	➔	Director of Law, Governance & Elections	<ul style="list-style-type: none"> Keeping up to date and engaged with relevant professional bodies and government departments Data observatory established Regular policy briefings prepared for review and to aid insight 	<ul style="list-style-type: none"> If appropriate to provide reports to Council on changes necessary to reflect legislation. Responding to Govt consultations and lobbying in various areas of political change Update relevant documents to reflect legislative changes; provide training on any new legislative arrangements 	Regularly reviewed in legal and policy teams Done June 2021 Next Sept 2021 Dec 2021 March 2222
	Impact		4	4	★					
	Likelihood		2	2	★					

Strategic Risk Register – December 2021

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 HRPR	<p>Climate Emergency Strategic Action Plan published 2020, update approved by Mayor and Cabinet in March 2021</p> <p>Borough Resilience Forum has produced a Multi-Agency Flood Plan and held a flooding exercise in April 2021.</p> <p>Air Quality Management Area Plan 22-27 consulted on. Strategic Air Quality Board meets quarterly.</p>	<p>Acton Plan to be reviewed annually by Sustainable Development and M&C</p> <p>Internal Audit of Climate Emergency work in progress. To complete in Q3 21/22</p> <p>Lobbying Government and other for resources to deliver on the Climate Emergency Action Plan</p> <p>Consulting on an updated Flood Risk Management Strategy in Q3 21/22. New Strategy to be presented to M&C in Q4 21/22.</p> <p>Final Air Quality Management Strategy approved and published.</p>	<p>Q3 21/22 Q4 21/22</p> <p>Q3 21/22 Ongoing</p> <p>Q4 21/22</p> <p>Q4 21/2</p>
	Impact		4	3						
	Likelihood		3	2						

Strategic Risk Register – December 2021

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. Secure Services to Users: A. Process										
2.A.1	Adequacy of Internal Control Framework	△	16	8	△	➔	Executive Director for Corporate Resources	<ul style="list-style-type: none"> Internal audit, risk & anti-fraud work – Anti-fraud, Anti-money laundering, whistle blowing policies and hot lines in place Annual National Fraud Initiative (NFI) & data matching Coordination/ joint working with central Govt. agencies (DWP, HMRC, BA), LH and other local housing providers. Quarterly reports to Exec Directors, ICB, Audit Panel monitoring trends & progress Implemented various phases of Oracle project - Finance, PBCS, payroll and self-service live. Implemented Liquid Logic (LAS/LCS and Controc) system and processes for CSC and ASC, aligned with service operating models and procedures 	<ul style="list-style-type: none"> Next phase to get wider business improvements from Oracle to realise benefits of investment – HR PID and related finance dashboards to be built being finalised. Then project to be put into action Internal Audit focus on ensuring recommendations implemented and on core financial audits for 21/22 and 21/22 plan agreed Counter fraud work focused on Covid grant assurance and data matching – ongoing Revisit arrangement for monitoring and preparing code of governance and annual governance statement for EMT and external reporting 	<p>In progress, next milestone Mar 22</p> <p>Reported to Audit Panel Dec 21. Next milestone Mar 21</p> <p>Next milestone Mar 22</p> <p>Mar 22</p>
	Impact		4	4						
	Likelihood		4	2						

Strategic Risk Register – December 2021

Risk Name & Category		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.1 Failure in Child Safeguarding	▲	25	20	★	→	ED CYP (PG) Dir. CSC (LH)	<ul style="list-style-type: none"> .A quality assurance and performance framework in place to monitor practice. reviewed monthly. A range of management oversight panels are in place to monitor high risk cases. Management supervisory oversight span does not exceed 6 social workers. Supervision takes place fortnightly. Practice Standards & bottom lines introduced to minimise variability. Workforce Development strategy delivering CPD offer to increase skill levels in staff managing safeguarding work. Corporate parenting strategy completed 	<p>Continue to embed all of that referenced in the previous column</p> <p>Recruitment campaign to fill staff vacancies and attain permanent consistent staffing.</p>	<p>Ongoing</p> <p>Jan 2022</p>
IMPACT		5	5	★	→				
LIKELIHOOD		5	4	★	→				

Strategic Risk Register – December 2021

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. Secure Services to Users: A. Process										
2.A.3	Strategic programme to develop and implement transformation change does not deliver	△	15	10	●	→	Assistant Chief Exec	<ul style="list-style-type: none"> Assistant Chief Executive appointed Develop an Organizational Development Strategy, reviewed and agreed by EMT in 2021. Directorate PMO support in place. Build focus and capacity to develop and implement change Head of Service capacity focused on delivery of transformation and change, in addition to PMO introduced Strategic programmes and projects agreed along with new governance structure Strategic change board arrangements in place and operational, and making a positive impact Review of PMO and transformation arrangements carried out and reported to EMT October 2021 	<ul style="list-style-type: none"> Growth bid to ED for Resources submitted to build stability, capacity and organisational ability Insight, Transformation and Organisational Development team created and being recruited to Continue to develop reporting to strategic change board in line with PMO review 10/21 	<p>Completed</p> <p>New structure implemented by June 2021 - Done</p> <p>Ongoing</p> <p>1st of March 2022</p>
	Impact		5	5						
	Likelihood		3	2						

Strategic Risk Register – December 2021

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 in line with law	★	5	4	★	➔	Returning Officer Director of Law, Governance & Elections Head of Elections	<ul style="list-style-type: none"> Preparing for London Mayoral and Assembly elections in May 2021 to be run in a Covid secure manner Acting on Directions from GLRO Preparing for four by elections May 2021 to be run in a Covid secure manner Overall project plan on track and in line with milestones currently Extensive staff training and engagement Census completed, awaiting feedback on completion rates. 	<ul style="list-style-type: none"> Deliver Covid safe elections 2021 - Done Implement Boundary Commission changes once confirmed New Target record for Local Elections – May 22 	Ongoing to May 2022
	Impact		5	4						
	Likelihood		1	1						

Strategic Risk Register – December 2021

Risk Name & Category		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.5 Failure in Adult Safeguarding (including Mental Capacity Bill and Domestic Homicide)	▲	20	20	★	→	Director of AdultSocial Care Director of Communities, Partnerships and Leisure	<p>LSAB provided with regular reports on practice, performance and activity data</p> <p>Monthly case audits in place that identify any practice and performance issues.</p> <p>Monitoring of Performance is overseen by DMT.</p> <p>Review completed and actions implemented in June 2021.</p> <p>Adherence to policy and procedures ensuring Care Act compliance.</p> <p>SAR Board meets regularly to approve cases that meet the criteria for a statutory Safeguarding Adult Review. Governance arrangements and a referral process are in place to implement lessons learnt.</p> <p>Proactive monitoring of referrals received to mitigate & address institutional abuse.</p>	<p>Safeguarding processes are being reviewed throughout operational and provider services and partner organisations.</p> <p>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 meets monthly</p> <p>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 applications are being monitored. Demands on Legal Services continue to increase.</p> <p>New system Liberty Protection safeguards will be implemented in April 2022 now that government legal sign off process completed.</p> <p>Task and Finish Group in place to monitor all actions from DHR's</p> <p>These are reviewed at Safeguarding Boards and Safer Lewisham Partnership</p> <p>Agreed actions are signed off by the CSP (Community Safety Partnership) and regularly monitored regarding progress / case audit and practice review</p>	<p>LSAB quarterly meetings and SAR monthly meetings</p> <p>DMT performance monitored monthly</p> <p>Monthly quality assurance and call over sessions are in place to monitor practice, trends and quality provision</p> <p>Monthly reviews are in place to monitor practice trends.</p> <p>Quarterly</p>
IMPACT		5	5	★	→				
LIKELIHOOD		5	4	★	→				

Strategic Risk Register – December 2021

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. Secure Services to Users: B. Technology										
2.B.1	IT is not fit for purpose and/or does not meet business needs (2)	●	6	4	●	→	Executive Director for Corporate Resources	<p>Directorate participation in corporate PMO arrangements being introduced</p> <p>Review business continuity plans with emergency planning team</p> <p>Key line of business systems include: Academy – revs & bens Ash – income collection Go Place – asset register Oracle – fin, HR, & payroll PBCS – oracle budget tool LCS/LAS and Controc - social care Icasework - customer serv. Microsoft office suite – all services</p> <p>Now Working with newly formed PMO in CX Directorate to ensure technology elements of change projects is aligned to objectives.</p>	<p>Specific risk around Registrars running Lotus Notes – being replaced with RAFTS</p> <ul style="list-style-type: none"> Specific risk around planning system which is obsolete and not optimised for running on modern infrastructure - regularly failing availability SLA Shared Service Investment Roadmap requires conformed funding to ensure ongoing adequacy of underlying infrastructure 	<p>End Jan 22</p> <p>Unknown</p> <p>Feb 22</p>
	Impact		3	4						
	Likelihood		2	1						

Page 113

Strategic Risk Register – December 2021

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. Secure Services to Users: B. Technology										
2.B.2	Cyber Security breaches corrupt or locks down Council systems or data.	△	15	5	△	➔	Executive Director for Corporate Resources	Legacy 2003 servers removed from estate Improved controls implemented around administrator level access Cyber strategy and cyber response policy approved by EMT Offline back-ups delivered SICTS infrastructure plan to be funded in budget planning going forward Outstanding security audit actions closed down Shared Service have developed a disaster recovery test plan	<ul style="list-style-type: none"> Move to cloud based authentication through MS365 project Scope and secure funding for an Applications and Data Security project Shared Service Investment Roadmap requires confirmed funding to ensure ongoing security of underlying infrastructure Out of support mobiles need to be removed from estate to ensure continued PSN accreditation 	Jul 22 (slipped Mar 21) Mar 22 (slipped Mar 21) Feb 22 Feb 22
	Impact		5	5						
	Likelihood		3	1						

Page 114

Strategic Risk Register – December 2021

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. Develop Staff and Partners: A. Workforce										
3.A.1	Loss of constructive employee relations	●	9	6	●	➔	ACE	<ul style="list-style-type: none"> Refreshed people management framework in the light of Covid 19 Continued employee assistance programme Extended Union engagement Launched Pulse surveys across a diagonal slice of staff Established and strengthened staff networks across the organisation 	<ul style="list-style-type: none"> Continue to run regular Pulse surveys for staff Review key HR policies to ensure they are fit for purpose and reflective of a modern, agile workforce. Refreshing Directorate Consultative Committees with Trade Unions Works Council to be reinstated Review the timing of the next Staff Survey 	<p>Ongoing</p> <p>Ongoing</p> <p>Completed</p> <p>Ongoing</p> <p>Ongoing</p>
	Impact		3	3						
	Likelihood		3	2						

Strategic Risk Register – December 2021

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. Develop Staff and Partners: A. Workforce										
3.A.2	Failure to maintain sufficient management capacity & capability to deliver business as usual and implement transformation changes	●	12	6	△	➔	Chief Executive	<ul style="list-style-type: none"> All EMT posts filled with permanent appointments All Director level posts appointed to permanently with start dates agreed. 	<ul style="list-style-type: none"> Complete further transformational service changes and recruit as appropriate Additional spend and recruitment controls remain in place 	Ongoing Ongoing Next review Apr 22
	Impact		4	3						
	Likelihood		3	2						

Strategic Risk Register – December 2021

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.A.3	Pace of change negatively impacts service delivery and employee morale	●	12	12	★	➔	ACE	<ul style="list-style-type: none"> Regular staff and manager communications from CEX on Council direction Together Lewisham staff engagement network empowering employee voice and opportunities for staff to influence and shape future direction and new initiatives Leading together Lewisham – all manager engagement on council priorities and direction of travel and expectations. Providing opportunity for managers to engage and give feedback Staff pulse surveys conducted to gain insight on how staff feel about new initiatives SLT engagement and opportunity to feedback and shape initiatives New appraisal process launched Outplacement support package for staff Further 'Future Working' ED Q&A events to continue engagement with managers and staff to disseminate key messages rolled out 	<ul style="list-style-type: none"> Training for managers on managing and leading through change – Future Working Continue to work with TU colleagues to develop/improve working relationships People Management strategy developed as part of OD strategy (post Covid version) Manager induction programme All staff transformation / restructures programmes should be accompanied by a learning and development plan to support transition to new structure and staff development 	<p>Completed</p> <p>Ongoing</p> <p>May 2022</p> <p>Completed</p> <p>Ongoing</p>
	Impact		4	4						
	Likelihood		3	3						

Strategic Risk Register – December 2021

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. Develop Staff and Partners: B. Partnerships										
3.B.1	Multi-agency governance leads to ineffective partnership working - (See also 3.B.2 Health)	●	8	4	●	➔	EMT	<ul style="list-style-type: none"> Regular meetings and liaison in place between Council and key partners/stakeholders Met Police; VCS; LFB; TfL; Lewisham Homes; Registered Providers; Ofsted; schools/FE; etc. Ongoing strategic partnership boards in place and actively supported and engaged with Future Lewisham Leaders' Summit convened in October 21 to bring all key partners, leaders together to discuss the priorities and challenges for the Borough and partners. 	<ul style="list-style-type: none"> Continue regular meetings and liaison in place between Council and key partners/stakeholders Met Police; VCS; LFB; TfL; Lewisham Homes; Registered Providers; Ofsted; schools/FE; etc. Continue with ongoing strategic partnership boards Following feedback from the Leaders' summit and the LGA Corporate Peer Challenge, ensure Future Lewisham acts as a bridge into the next Corporate Strategy in May 2022. Use the Leaders' summit discussion as a building block for the new Corporate Strategy. 	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
	Impact		4	4						
	Likelihood		2	1						

Strategic Risk Register – December 2021

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
4. Develop Staff and Partners: A. Procurement										
4.A.1	Failure to manage strategic suppliers and related procurement programmes. (13)	●	12	6	△	➔	Executive Director for Corporate Resources	<ul style="list-style-type: none"> Published work on community wealth building as part of inclusive growth strategy development Growth in service for additional x2 posts Rolled out quarterly procurement training courses for all appropriate officers Fees and charges report published in 20/21 Current years Social Value report was published in Aug 20 Contract management toolkit and supporting training Contract management dashboard for performance tracking in place 	<ul style="list-style-type: none"> Work on memorandum trading accounts for priority services re commercial work Ensure Contract Management Dashboard Reporting is tabled quarterly at DMTs Hold the 'Meet the Buyer' event with all Lewisham Deal participants The Annual Compliance checklist for all contracts 	<p>Slipped due to Covid Next Mar 2022</p> <p>Start Nov 21 - Done</p> <p>Nov 21 - Done</p> <p>June 22</p>
	Impact		4	3						
	Likelihood		3	2						

Strategic Risk Register – December 2021

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
4. Develop Staff and Partners: A. Procurement										
4.A.2	Global commodity price increases/supply chain shortages	●	12	6	△	➔	Executive Director for Corporate Resources	Live Contracts: Monitor prices in current contracts via the contract management framework; Use variation clauses to amend scope; Procurements: Market engagement and benchmarking;	Use variation clauses to amend scope of existing contracts Review specifications; Identify supply chain shortages in key projects (Capital, Catering, Energy, Transport, Care Services) and seek acceptable alternatives where possible.	Quarterly contract management reporting Monthly financial reporting Contingencies being considered as part of the Budget for 22/23 - Mar 22
	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
4. Services Represent VFM: A. Performance										
4.B.1	Failure to manage performance leads to service failure	●	12	4	△	➔	Chief Executive	<ul style="list-style-type: none"> Transferred reporting of risk to Audit Panel Director sessions, as part of Senior Leadership Team (SLT) held regularly to improve alignment, embed collaborative working, help shape new policies and ways of working and monitor key service activity, forecasts etc Good collaborative work, and a One Council approach, evidenced during response to Covid19 and through themed approach to budget 21/22 development Following creation of an Insight, Transformation and OD team, service data & performance priorities have been revisited and updated performance reports are being reported to EMT regularly 	<ul style="list-style-type: none"> Continue to embed the programme and project management approach across the Council Continue to embed the culture of manager's being responsible for gripping their budgets and for delivery of agreed savings Performance Management Framework plans Performance reporting plans Evaluation of Corporate Strategy Tracker 	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
	Impact		3	2						
	Likelihood		4	2						

Strategic Risk Register – December 2021

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
Services Represent VFM: B Performance										
4.B.2	Delivery of the Building for Lewisham programme fails to make full use of available funding streams and/or exceeds the Councils financial parameters	●	12	8	●	➔	Executive Director HRPR	<ul style="list-style-type: none"> Regular holding of risk workshops with LH and LBL Split programme into tranches to consider risks appropriately; under construction, planning, approved pipeline, unapproved pipeline. Agreed changes to planning schemes to improve viability, including agreement to use of 40% RTB receipts. Have secured high level of GLA grant – approved at M&C in November. Have reviewed implications of First Homes guidance Have implemented a buy backs scheme, using GLA grant, which will delivery up to 100 homes. 	<ul style="list-style-type: none"> Urgent work to consider options to improve scheme viability, programme viability and provide clarity on deliverable social homes starts and completions on approved and unapproved pipeline schemes, which may result in a review if tenure mix. Develop Shared Ownership strategy including analysis of risk and exit strategy and develop appropriate management agreement with LH. Continued monitoring of the buy back scheme, working closely with the LH assets function 	<p>Q2 2021/22 and ongoing</p> <p>Q4 2021/22</p> <p>Q3 2021/22 and ongoing</p>
	Impact		4	4						
	Likelihood		3	2						

Strategic Risk Register – December 2021

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
Services Represent VFM: B Performance										
4.B.3 Failure to comply with consumer standards set by the Regulator of Social Housing	Our Housing Management providers (Lewisham Homes, RB3, TMO) found to not meet one of the four consumer standards set by the Regulator of Social Housing	●	9	6	●	➔	Director of Housing Services	The Council is closely monitoring the implementation of the Lewisham Homes Lessons Learnt Action Plan as well as implementing the Action Plan from the Independent Review following the case reported in the media in September 21.	Our clienting arrangements has been reviewed and a new framework established. The clienting of Lewisham Homes now includes monitoring progress towards specific KPIs in the LH Disrepair Action Plan and implementation will be tracked monthly at Clienting meetings, Strategic Clienting and at EMT meetings The new clienting framework also incorporates clienting of the TMO, RB3 and Lewisham Homes so that there is effective oversight of all housing management and the service received by our tenants and leaseholders.	
	Impact		3	3						
	Likelihood		3	2						

Strategic Risk Register – December 2021

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
5. Manage within Budget: A. Financial										
5.A.1	Financial Failure and inability to maintain service delivery within a balanced budget	△	25	4	△	➔	Executive Director for Corporate Resources	<p>Audited financial statement and VFM – unqualified</p> <p>MTFS, regular monitoring of reserves and provisions, and balanced budget</p> <p>Financial planning addresses historic pressures, emerging demand / costs, and cuts needed in future years.</p> <p>Financial planning considers commitments across collection fund, general fund, schools, housing, pension fund, and capital plans</p>	<ul style="list-style-type: none"> Prepare work on 22/23 budget timetable and approach – HRA, DSG, Capital, TMS and delivery of cuts. Thematic cuts work launched in Sept. Review MTFS and treasury plans with updated capital strategy for budget Monitor local government finance changes – covid and spending review – to ensure changes required are made in good time PMO/EMT to monitor cuts are implemented as agreed or alternatives found to keep budget balanced – new ASC Board chaired by CX, as well as Resources Board for other cuts. Unwind Covid funding from BAU service delivery to ensure budget remains balanced through recovery work 	<p>Next - Jan 22 Done</p> <p>Done Next - Mar 22</p> <p>Next - Jan 22 Done</p> <p>Reported in finance monitor Next - Feb 21</p> <p>Ongoing as part of budget build for 22/23 above</p>
	Impact		5	4						
	Likelihood		5	1						

Strategic Risk Register – December 2021

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
5. Manage within Budget: A. Financial										
5.A.2	Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams	●	12	6	△	➔	Executive Director for Corporate Resources	<ul style="list-style-type: none"> Pension Fund triennial actuarial valuation Annual actuarial review of insurance provisions and claims Provision and Reserves strategy regularly reviewed to support monitoring and medium term financial planning positions Monitor and contribute to consultations on future of local government finance Working with LG Futures to support monitoring of the Collection Fund and income assumptions for CTax and NNDR 	<ul style="list-style-type: none"> Prepare for Business Rates devolution – now on hold and London pool stopped Implement investments strategy following the Pension Fund valuation – LCIV and Storebrand Assess impact of LGFS following the Chancellor's Autumn Budget, CSR & FFR with Autumn Chancellor's budget. Review bad debt provisions and write offs required post Covid to ensure return to effective income collection part of recovery planning – part of accounts (will follow accounts work) 	<p>As per Gov't timetable that has been delayed</p> <p>LCIV done Storebrand – Mar 22</p> <p>Ongoing Oct/Nov 21 Done</p> <p>Accounts delayed to Nov Next Mar 22</p>
	Impact		4	3						
	Likelihood		3	2						

Strategic Risk Register – December 2021

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
5. Manage within Budget: A. Financial										
5.A.3	Loss of Income to the Council – Failure to collect debt	●	12	9	★	➔	Executive Director for Corporate Resources	<ul style="list-style-type: none"> • ASC charging now all on latest policy. All financial assessments re-done. • Ash review for sundry debt concluded to move with a manual solution to: <ul style="list-style-type: none"> ○ Avoid more IT risk & time ○ Have immediate impact ○ Realise Oracle & Controcc benefits • Additional resource into debt collection team for support improved collection rates • For 20/21 and into 21/22 due to impact of Covid-19 focused on monitoring of income collection positions for all types of debt. • LL and Controc systems aligned to Oracle for ASC and CSC 	<ul style="list-style-type: none"> • As part of wider consultancy review of ASC, look to improve finance assessment and self-funding recovery • Review Collection Fund debt collection processes to improve performance as part of recovery work as part of unwinding Covid support and return to BAU 	<p>Sept 21 Work underway. Next Mar 22</p> <p>New Director in post. Next update Mar 22</p>
	Impact		3	3						
	Likelihood		4	1						

Strategic Risk Register – December 2021

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
5.Manage within Budget: B. Emergency Planning and Business Continuity										
5.B.1	Failure to effectively contain the impacts of an emergency affecting the public, business, environment and/or organisation	●	10	8	★	➔	Executive Director Corporate Resources	<ul style="list-style-type: none"> On-call Emergency Planning rota Ongoing Training of all on-call staff London wide standardised training packages ensure consistency and reassurance if mutual aid is required Business Continuity Management Programme runs on annual basis Provide assurance of our capability through the Resilience Standards for London Borough Resilience Forum meets 4 times a year to maintain an overview of the Borough risks and to maintain partnership working Maintain the Borough risk register Maintain and review lessons learned document for all incidents both internal external and COVID related Annual exercises to test plans 	<ul style="list-style-type: none"> Run a Council Emergency Planning exercise annually Run an internal Business Continuity Exercise annually Provide table top exercises on BC and Emergency Planning throughout the year Run exercises around key risk themes through Borough Resilience Forum Restarted Resilience Board to oversee arrangements and key issues. 	<p>Ongoing to inform future planning</p> <p>Immediate plans delayed with reinstatement of emergency response arrangements from November in response to Omicron wave. Plans to be revisited.</p>
	Impact		5	4						
	Likelihood		2	2						

Strategic Risk Register – December 2021

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
COVID- 19 Overall Risk										
5.B.2	Failure to effectively contain the ongoing impacts of Covid-19 and deliver services	●	10	9	★	➔	Chief Executive	<ul style="list-style-type: none"> • Strategy and objectives. • Covid risk register identifies key areas of concern and responsibilities • Multi-agency partnership working following a command and control structure. • Sub groups established to deal effectively with key areas of response • Service priorities determined to support the critical functions of the council • Support critical functions from non-critical services through Covid Action Team. • Community Champions programme established to ensure communications are effectively reaching all areas of the community • Communications strategy • Targeted testing for identified critical key workers to limit the impacts. • Provide support to the Vaccination Programme • Weekly EMT Covid meetings led by Public Health, including London reporting 	<ul style="list-style-type: none"> • Continue to respond to changes in guidance and legislation • Continue to provide support to staff and residents through services and communications • Move Covid emergency response management to 'business as usual' under Public Health from July 2021 • Review need to sustain as separate risk or return to BAU 	<p>Ongoing – with engagement of Members and Senior Leadership Team</p> <p>Done</p> <p>Quarterly</p>
	Impact		5	3						
	Likelihood		2	3						

Agenda Item 6



Audit Panel

Report On The Work Of The Audit Panel 2021-22

Date: 15 March 2022

Key decision: No

Class: Part 1

Ward(s) affected: No individual wards

Contributors: Head of Assurance

Outline and recommendations

(This report is presented as it will appear to PASC on 17 March 2022. References to 'this' Committee refer to PASC)

This Committee's Terms of Reference direct that it should scrutinise the effectiveness of the Audit Panel. This report outlines the Audit Panel's work in the municipal year 2021/22 to support this Committee in discharging that responsibility.

We recommend PASC **note** this report.

Timeline of engagement and decision-making

- *2 March 2022: Approved informally by Audit Panel Chair*
- *15 March 2022: Presented for comment at Audit Panel*

1. Summary

- 1.1. Section 6.7 of the Council's Constitution details specific terms of reference for each Committee. For the Public Sector Accounts Select Committee, the terms of reference direct, among other instructions, that the Committee should "*scrutinise the effectiveness of the audit panel*".
- 1.2. At Section 9.3, the Constitution directs that the Audit Panel should comprise 6 non executive Councillors (one serving as Chair) and up to 4 independent co-opted members. The Constitution then details eleven areas where the Panel should "*receive, review and where appropriate advise [...] and make recommendations*".
 - *Review and approve the Council's Internal Audit strategy, plans and resources.*
 - *Internal audit quarterly progress reports.*
 - *Annual Report of the Council's Head of Internal Audit.*

- *Reports of Internal Audit on where management has failed to undertake necessary actions within the planned audit time frame.*
 - *The external auditor's Annual Plan and relevant reports.*
 - *External inspection reports and specific reports as agreed with the external auditor.*
 - *Monitoring effectiveness of risk management, control environment and anti-fraud and anti-corruption arrangements.*
 - *Overview of the Council's Constitution on audit procedure, contract procedure and financial regulations.*
 - *Assurance arrangements, including the Statement of Internal Control.*
 - *The Annual Statement of Accounts, including whether appropriate accounting policies have been followed and any concerns arising from the Financial Statements*
 - *The External Auditor's opinion and reports to members, and monitoring management action in response to issues raised by external audit.*
- 1.3. This report sets out the Panel's work during the municipal year 2021/22, assuring this Committee that the Panel has appropriately and fully discharged its responsibilities.

2. Recommendations

- 2.1. We recommend PASC **note** this report.
- 2.2. Noting this report will aid PASC in discharging its responsibility to scrutinise the Audit Panel's effectiveness.

3. Policy Context

- 3.1. The report supports the Council's Governance goals, recognising that strong corporate governance arrangements are crucially important to managing a modern and successful local authority.

4. Background

- 4.1. This report sets out the respective responsibilities of PASC and the Audit Panel in Section 1.
- 4.2. The Audit Panel has met four times during the 2021/22 municipal year, and by the time PASC discusses this report, it will have met for the fifth time. Meetings and attendance details as summarised below:
- 23 June 2021: 6/6 Members present (including one substitute) plus 2/3 Co-Optees.
 - 16 September 2021: 6/6 Members present plus 3/3 Co-Optees.
 - 10 November 2021: 5/6 Members present plus 2/3 Co-Optees.
 - 7 December 2021: 3/6 Members present plus 3/3 Co-Optees.
 - 15 March 2022: Verbal update from Chair to follow.

5. External Audit & Financial Statements

- 5.1. There exists a regular cycle for external audit and the financial statements, as set out in the Accounts and Audit Regulations 2015. This cycle – in a typical year – would include preparatory work over the winter, an audit plan in the spring with the accounts audit work, audit findings and opinion concluded by the end of July. External audit would then complete their work on Whole of Government accounts and housing benefit certification in the autumn, issuing an annual audit letter by the end of the year.

- 5.2. However, as with much else, the initial waves of the Covid-19 pandemic significantly delayed this timetable. The Council's financial statements audit concluded in November 2020, in line with the Government's revised reporting timetable. Inevitably, these delays in completing the 2019/20 audit had a knock-on effect into subsequent years. The Government has recognised these continuing challenges by moving the deadline from July to September for at least the next two years.
- 5.3. During 2021/22, the Council's external auditors, Grant Thornton, attended and presented at each meeting. In June, Grant Thornton presented their annual audit plan, covering the Council, Group Accounts, and Pension Fund. This plan described Grant Thornton's perspective on the key risks to the financial statements' material accuracy.
- 5.4. In September, Grant Thornton presented a progress report and an overview of the sector's developments. In November, with the primary financial statements audit work nearly but not wholly complete, the Panel received Grant Thornton's Audit Findings report. This report acknowledged the audit was not completed by the 30 September deadline but set out findings so far and work remaining. The report also anticipated unmodified ('clean') audit opinions for the Council and the Pension Fund. The Panel noted and welcomed this conclusion while recognising it as provisional.
- 5.5. In December, the Panel received a progress report. In March, the Panel expect to receive a final version of the Audit Findings report, following the conclusion of the audit and issue of clean audit opinions on 16 December 2021.
- 5.6. The Audit Findings report summarised Grant Thornton's conclusions in its headlines:
"The quality of the draft financial statements presented to audit were an improvement on the prior year and the statements had been subject to more rigorous management reviews. The Council are on an improvement journey, but our reviews and testing are still identifying [a] high level of audit adjustments to the financial statements, albeit the majority of these are presentational in nature".
- 5.7. In the December progress report, the Panel received an update from officers against the matters raised by Grant Thornton. The Panel noted officers' acceptance of the findings and commitments to remedial action for their resolution. The Panel will receive further updates from officers in March and through 2022/23 as they fulfil the actions.

6. Internal Audit

- 6.1. In June, the Panel received the Annual Opinion from the then Head of Internal Audit, who had been seconded from PWC from August 2020 to January 2022. While noting that the pandemic had forced a reduced audit plan, the Opinion nonetheless offered the Panel 'Satisfactory' assurance on the Council's governance, risk management and internal control for 2020/21.
- 6.2. In June, December and March, the Panel also received updates on progress against the 2021/22 Internal Audit plan approved in February 2021. These updates included information on the Council's continued improvements in responding to internal audit recommendations, spurred on by the Panel's clear leadership and expectation of prompt remedial action.
- 6.3. As well as receiving update reports, the Panel approved a revised Internal Audit Charter in June. This Charter, an essential requirement of Public Sector Internal Audit Standards, sets out the local approach to internal audit. The internal audit service is currently undergoing a peer External Quality Review of its conformance to the Standards. The Panel will receive the outcome report of this review early in 2022/23.
- 6.4. In January, the Council appointed a new Head of Assurance. He has picked up the Head of Internal Audit role from the PWC secondee and taken on responsibility for the Council's Risk Management, Insurance and Counter Fraud Services. In March, he will

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first present to the Panel the Internal Audit Service's proposed 2022/23 plan.

7. Anti-Fraud and Corruption

- 7.1. The Anti-Fraud and Corruption Team (A-FACT) continued through 2021/22, supporting the Council's disbursement of government business grants. This was alongside its regular work, summarised in an Annual Report presented to Audit Panel in June.
- 7.2. This report highlighted a year-on-year increase in employee-related frauds, albeit within the bounds of variation over the past several years. A-FACT noted no apparent link to the pandemic in changes to the level of identified fraud. The overall activity of the team remained relatively stable, with 113 active cases in the year (compared with 140 in 2019/20 and 135 in 2018/19), not including pre-employment checks.
- 7.3. The report also highlighted the A-FACT team becoming the first local authority to become a full member of the Government's Counter Fraud Profession.

8. Risk Management

- 8.1. During 2021/22, the Panel continued reviewing the Corporate Risk Register at each meeting. The Panel received a risk update at each meeting except November (which was given over to reporting related to the financial statements).
- 8.2. As well as reviewing the corporate risk register in full, the Panel also undertakes a specific review into particular risks. These reviews invite individual risk owners to the Panel to speak about the risks under their control and provide additional detail on their management. During 2021/22, the Panel received further information on financial and cybersecurity risks.
- 8.3. In June, the Panel also reviewed the Council's Risk Management Strategy 2017-20. The Panel accepted an officer recommendation to review the Strategy and extend its lifespan for two years to 2022.

9. Annual Governance Statement

- 9.1. The Annual Governance Statements forms part of the Financial Statements that the Panel reviewed in November.
- 9.2. The Annual Governance Statement highlighted several governance priorities for 2021/22 and onwards:
 - Delivery of the Corporate Strategy,
 - Successful implementation of further cuts to reflect continuing budget reductions,
 - Addressing the Chief Executive's priorities for improvement, including financial management, evidence-based decision making, organisational culture, resident experience, governance and risk, project and people management and communications,
 - Aligning schemes of delegation and financial procedures to the new Directorate structures,
 - Update payroll and HR procedures to capture operational changes from the move to Oracle Cloud,
 - Address internal and external audit findings,
 - Continue implementing the areas for improvement identified in the August 2019 review of Children's Services,
 - Working with local and regional partners on Covid-19 response.

9.3. The Audit Panel will monitor and review progress on these priorities as part of its work.

10. Other Business, Including Priorities Carried Forward from 2020/21

10.1. The equivalent report to PASC in March 2021 highlighted four areas where the Panel had been unable to complete its 2020/21 work and noted these were to carry forward into 2021/22. These areas were:

- **Redmond Review:** The Panel received a report in June 2021 summarising the Government's responses to the Redmond Review's recommendations.
- **Additional Meeting to Review Financial Statements:** The Panel included a fifth meeting in 2021/22 for this specific purpose.
- **Review Panel Status and terms of reference:** This work has continued through 2021/22 and will seek to come forward with proposals following this Spring's elections.
- **Recruiting a fourth independent Member:** Noting the continued value and enormously appreciated contributions of independent Members, this remains an ambition of the Panel that will be taken forward alongside any terms of reference revision post-elections.

11. Financial implications

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

12. Legal implications

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

13. Equalities implications

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

14. Climate change and environmental implications

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

15. Crime and disorder implications

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

16. Health and wellbeing implications

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

17. Background papers

17.1. The background papers to this report are the Audit Panel meeting records published on the Council's website. [Linked here.](#)

18. Report author and contact

18.1. For any queries on this report, please contact Rich Clarke, Head of Assurance, on 020 8314 8730.

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Audit Panel

Report title: Audit Panel Work Programme

Date: 15 March 2022

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

This report sets out the current proposed work plan for the Panel at its next meeting, provisionally scheduled for 23 June 2022, and a generic outline work programme of regular items in a typical year.

We will revisit the outline work programme following May's elections, updating where necessary to include confirmed meeting dates and account for any changes to the Panel's terms or membership that may follow.

We recommend Members **note** the Work Programme

1. Summary

- 1.1. The Panel has not previously had a standard paper setting out upcoming work programme items for the year ahead. We believe introducing such a paper will help Members plan their work and enhance the level of scrutiny they can provide across the year.
- 1.2. We have included a specific listing of items anticipated for the Panel's meeting in June, and a generic 'typical' cycle Members might expect for routine papers. Members can, and no doubt will request additional items of specific interest through the year.

2. Recommendations

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

3. Policy Context

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

4. Background

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

5. Anticipated Items for Meeting on 23 June 2022

5.1. At its next meeting, currently planned for 23 June 2022, Panel Members might expect to review the following papers as part of the routine business (to be supplemented by any additional requests made in tonight's meeting):

- **Internal Audit Annual Report and Opinion 2021/22.** Concluding internal audit work for 2021/22 and reporting results. This will include the Head of Assurance's opinion on the Council's internal control, risk and governance required by Public Sector Internal Audit Standards.
- **Internal Audit Progress Report 2022/23 Q1:** Summarising work completed up to Panel papers date on progressing the 2022/23 audit plan considered by Members earlier in tonight's meeting.
- **External Quality Assessment of Internal Audit:** As required by Standard 1312, every five years, an internal audit service must undergo an external quality assessment considering conformance to Standards. Lewisham's service is currently subject to a peer review assessment led by the City Of London. We expect to receive a draft report by Mid-March and expect to be able to report the outcome to Members at this meeting.
- **Risk Register Update Q4 2021/22:** The final corporate risk register update for the year as at 31 March 2022.
- **External Audit Progress Report and Audit Plan 2021/22:** A routine progress update from Grant Thornton. The plan sets out the intended approach to completing the audit of the Council's 2021/22 Financial Statements and associated tasks. The report will also set out continued progress towards implementing outstanding external audit recommendations.

6. Generic Work Programme

6.1. The table below sets out the 'typical' papers this Panel might expect to consider in a routine year. We will develop this further post-election to produce a rolling work programme for each meeting, updating Members on the future work of the Panel.

Audit Panel Generic Work Programme: Lewisham Council					
Service & Document Type	Purpose	Meeting 1	Meeting 2	Meeting 3	Meeting 4
		(Jun/Jul)	(Sep/Oct)	(Dec/Jan)	(Mar/Apr)
Assurance Service Documents					
Internal Audit					
Annual Report & Head of Audit Opinion	Information	<input checked="" type="checkbox"/>			
Progress Report	Information	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Annual Plan	Approval				<input checked="" type="checkbox"/>
Audit Charter	Approval			<input checked="" type="checkbox"/>	
Standards Self Assessment (external every 5th yr)	Information	<input checked="" type="checkbox"/>			

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Audit Panel Generic Work Programme: Lewisham Council

Service & Document Type	Purpose	Meeting 1	Meeting 2	Meeting 3	Meeting 4
		(Jun/Jul)	(Sep/Oct)	(Dec/Jan)	(Mar/Apr)
Anti-Fraud & Corruption					
Annual Report	Information	<input checked="" type="checkbox"/>			
Insurance & Risk					
Risk Management Strategy (every 5th year)	Recommendation				<input checked="" type="checkbox"/>
Risk Register Update Report	Information	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Specific Risk Area Review	Information	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Finance Service Documents					
Letters of Representation	Information/Approval		<input checked="" type="checkbox"/>		
Statement of Accounts (including AGS)	Approval		<input checked="" type="checkbox"/>		
External Audit Documents					
Audit Plan	Information				<input checked="" type="checkbox"/>
Progress Report (including actions progress)	Information	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Audit Findings Report	Information		<input checked="" type="checkbox"/>		
Annual Audit Letter (including VFM Conclusion/WGA)	Information			<input checked="" type="checkbox"/>	
Housing Benefit Certification	Information			<input checked="" type="checkbox"/>	
Panel Administration Documents					
Minutes of the previous meeting	Approval	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Work Programme	Information	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

7. Financial implications

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

8. Legal implications

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

9. Equalities implications

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

10. Climate change and environmental implications

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

11. Crime and disorder implications

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

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12. Health and wellbeing implications

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

13. Background papers

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

14. Report author(s) and contact

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

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AUDIT PANEL		
Report Title	Exclusion of the Press and Public	
Key Decision		Item No. 8
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 15 MARCH 2022

Recommendation

It is recommended that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to Information) (Amendments) (England) Regulations 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information:-

10. Closed Minutes

Agenda Item 9

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