



AGENDA AUDIT PANEL

Date: TUESDAY, 21 JUNE 2022 at 7.00 pm

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

**Enquiries to: Sarah.Assibey@lewisham.gov.uk
Telephone: 0208 314 8975(direct line)**

COUNCILLORS

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

Independent Members

Ian Pleace
Stephen Warren

Members are summoned to attend this meeting

**Kim Wright
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: Monday 13 June 2022**



INVESTOR IN PEOPLE

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Agenda Item 1

AUDIT PANEL		
Report Title	ELECTION OF CHAIR AND VICE CHAIR	
Key Decision		Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 21 June 2022

Recommendation

It is recommended that a Chair and Vice Chair of the Audit Panel be appointed for the municipal year 2022/23

Agenda Item 2

AUDIT PANEL		
Report Title	MINUTES	
Key Decision		Item No. 2
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 21 June 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 15 March 2022 be confirmed and signed.

MINUTES OF THE AUDIT PANEL MEETING

Tuesday 15 March 2022 at 7pm

Present: Councillor Rathbone (Chair), Councillor Millbank and Councillor Wise. Independent Members, Stephen Warren and Carole Murray

Apologies: Councillor Gibbons, Ian Pleace

In attendance, virtually: Councillor Sheikh

1. Declarations of Interest

Stephen Warren declared the following interest, stating:

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

Councillor Wise and Councillor Rathbone declared an interest as directors of Lewisham Homes, should it pertain to any of the items discussed.

2. Minutes

The following amendments were put forward by Members:

- In the second to last paragraph, "could" be changed to "would".
- The Minutes of the last meeting to detail that they were agreed subject to the amendments agreed.

RESOLVED the minutes were agreed subject to the amendments above.

3. External Audit Progress and Update on Recommendations

The Chief Accountant presented the management response to the audit findings reported. She provided the Panel with the following update:

The preparations for the Audit have begun and the completion of the draft accounts is aimed for 30 June 2022 and the final accounts on 30 November 2022.

The Issues and their Recommendations outlined in the Audit Findings report were then discussed.

IT General Controls: It was proposed that the recommendation was marked as completed and that for future projects the recommendation is implemented.

Fixed Asset Register: a review is being undertaken of the assets which have a nil net book value. A paper will be provided to Grant Thornton to support the proposed action.

School bank account reconciliations: the guidance notes for schools were updated and sent to schools so an update will be due at the next Panel meeting on the implications.

Stopped cheques: there were no stopped cheques over 6 months and a review is taken every 3 months.

Section 106 agreements: a large body of work is being undertaken by the relevant teams to reconcile the issue. A progress update will be given at the next Panel meeting.

School finance reconciliations: the process will be reviewed over the next 3 months to determine whether there is an amendment process required.

Cut off testing: significant improvements have been undertaken in previous years and will continue. Reviewing of transactions will take place in April and May and will be sent out to the relevant teams to ensure the appropriate approvals are made for the year.

Pension fund (general ledger for financial reporting): Northern Trust have agreed to work with the team to reduce the number of manual entries that are required and make the adjustments within their system.

Admitted and scheduled bodies: The reconciliation is now undertaken timely and reviewed regularly. Subject to external audit's review, this action is proposed to be closed as completed.

Panel members asked that timescales and accountabilities could be added for the actions outlined in the report.

The Informing Risk Assessment report was then discussed. The external auditor stated the report was for Panel Members to note and discuss whether they are satisfied with managements responses to the general enquiries of management outlined in the report. He discussed the following:

The aim of the enquiries and responses was to identify if there had been any significant changes from the auditor's expectations in regards to the arrangements from previous years and that they are proportionally aligned. If the Audit Panel are in agreement with the responses, they were recommended to endorse them. Members fed back to the auditors that they felt some of the management responses to the questions required more detail and did not provide much information about the relation to the risk management process. The Director of Finance responded that they will provide clarifications to make a more robust document for Grant Thornton to consider.

In relation to fraud risk assessments in the same report where it was noted that all fraud is reported to the Annual Report in June, the Chair asked the Panel if they were satisfied with the report being tabled annually or if a bi-annual basis was preferable. The Head of Assurance stated that as he is overseeing internal audit and counter-fraud, and there is a commitment to provide quarterly internal audit updates to the Panel, he is able to add counter-fraud information to this quarterly report if Members preferred.

The Chair also asked the Independent Members if they were satisfied that there were some estimates outlined in the Accounting Estimates appendix, where management were not using an expert to provide advice. The Independent Members stated that they felt the experts were being used in the correct areas.

Action:

To include counter-fraud information to the internal audit quarterly reports.

To provide clarifications within the enquiries of management responses.

To include timescales and accountabilities of the actions outlined in the Audit findings report.

The External Auditors then summarised the Progress and Sector Update report, discussing the progress update at March 2022, audit deliverables, Value for Money (ready to be delivered to the next meeting), the financial reporting council report and the sector update.

RESOLVED the report was noted.

4. Audit Plan 2022/23 and Q3 Progress

The Head of Assurance presented the Audit Plan report and he summarised the following:

The Public Sector Internal Audit Standards set out how the Head of Audit must compile the audit plan in Standards 2010 to 2030. Part of the process to changing the audit plan was to complete an external quality assessment, which answered that The City of London audits the external auditing. Their report did not come back in time to be brought to the meeting, but it was reported that the audit plan generally conforms to the standards, the detail of which will be brought to the next meeting. Preparing the plan began with the seconded interim Head of Audit. 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.

The proposed Internal Audit Plan was detailed in the report and also set out headline resource allocation between the different tasks set out in the plan. He stated that the aim was to take a broader approach to looking across the Council directorates and also to recognise some of the other tasks that are of value to the Council but had not previously been acknowledged, such as certifying grant claims, providing advice and training, and action follow-up which had been important to the Panel.

It was asked if reducing the time spent on school engagements had affected the funding received from the Department for Education, to which the officer responded that whilst there was still a cyclical approach to the majority of schools, some time aside had been kept to look at schools that, by reasons of change of circumstance or previous audit findings, were particularly noteworthy and require examination. This had been factored into the resource plans so no further changes were to happen as a result.

On the new approach to key financial controls, the Chair stated it was important to make sure that the Panel receives a very comprehensive report about it.

The Head of Assurance then presented to Progress Update report. The following was discussed:

Since the last update to the Panel in December 2021, the following seven engagements were concluded; Capital Expenditure; Client Contributions for Care

Provision; HR Policies (Follow Up); Early Help Service Transformation; Donderry Primary; Baring Primary; and All Saints CofE Primary.

There was also an update on agreed action implementation. The officer stated that there were just 7 outstanding and overdue actions- 6 of these are in the same area of Oracle Payroll controls, of which they are in close communication with the service and the PwC specialists who undertook the audit in autumn 2021. Speaking on the deferred actions, the Head of Assurance stated that he was content to let his predecessor's decision to defer those actions stand. Speaking on new referrals proposed during his tenure, he stated he does not believe these deferrals expose the Council to any additional risk.

RESOLVED that the report is noted.

5. Strategic Risk Register Review

The Head of Assurance presented this report. There were no material changes to note with respect to the scoring on the risk register. He stated that risk reporting should be appropriately engaging and informative and genuinely conveys useful information to Members to help guide in decision-making, so a reforming of the register with the feedback from Members can be expected in the new financial year.

Action: The Panel agreed that the following risks: Failure in Child Safeguarding and Serious Adult Safeguarding concerns will be report on at the next meeting.

RESOLVED the report was noted.

6. Audit Panel PASC Summary 2021/22

RESOLVED the report was noted.

7. Work Programme 2022/23

The Head of Assurance presented this report. He stated that the paper will be shaped to be more specific later in the year, but the report is present to give a forward look at the agendas for the year.

It was suggested by Members to include the Terms of Reference to demonstrate how the Panel is covering all its work and the revised accounts.

RESOLVED the report was noted

8. Exclusion of Press and Public

It is recommended the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12(A) of the Act, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

9: Cyber Security Risk

The meeting finished at 8.45pm.

Agenda Item 3

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 1
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 21 June 2022

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

1 Personal interests

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

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

2 Disclosable pecuniary interests are defined by regulation as:-

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

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

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

(3) Other registerable interests

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

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

(4) Non registerable interests

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

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

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

(6) Sensitive information

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

(7) Exempt categories

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

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

Agenda Item 4



Audit Panel

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

Date: 21 June 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
- Note the updated responses to the audit risk assessment for 2021/22
 - Note Grant Thornton's 2021/22 Audit Plan

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. The report considers the key risks for the 2021/22 accounts and asks the Audit Panel to note these following comments made in March Panel.
- 1.4. Finally, the report includes the 2021/22 Audit Plan produced by Grant Thornton.

2. Recommendations

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

3. Policy Context

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

4. 2021/22 Statement of Accounts Update

- 4.1. The Department for Levelling Up, Housing and Communities published on 16 December 2021, measures to support the timely completion of local government audits. This included extending the deadline for preparing draft accounts to 31 July 2022 and publishing audited accounts to 30 November 2022 for 2021/22 accounts.
- 4.2. Lewisham Council are working to prepare draft accounts by 30 June 2022 and publishing audited accounts by 30 November 2022.
- 4.3. The Council's outturn position has been finalised. Work is ongoing to update the Statement of Accounts Word document for publication by 30 June 2022. Once handed over for audit, these draft accounts will also be published on the Council's website and the statutory public inspection period opened during July and August.
- 4.4. The interim audit took place in March 2022. Grant Thornton's online portal, Inflo was used to supply data efficiently and securely. Sampling was undertaken for income and expenditure for the period April to January 2022 as well as deliverables for banking, borrowing, investments and general processes. There are minimal queries outstanding which will be picked up as part of the final audit in July 2022.
- 4.5. The final audit is scheduled to take place between July and November 2022, with publication of the final accounts by 30 November 2022.

5. 2020/21 Audit Findings Report

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

6. 2021/22 Audit Risk Assessment

- 6.1. Grant Thornton produced 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 were required to obtain an understanding of management processes and Council oversight in a number of key areas.
- 6.2. The Council has completed its contributions to the template as part of this process. The Audit Panel considered these draft responses on 15 March 2022 and provided comments. These have now been reflected in the updated version which is available to note.
- 6.3. The report is included within Appendix B.

7. 2021/22 Audit Plan

- 7.1. Grant Thornton, the external auditors for London Borough of Lewisham Council and Pension Fund will present the 2021/22 Audit Plan.
- 7.2. This includes key matters for Lewisham Council which Grant Thornton will primarily follow up within the 2021/22 Value For Money Work. Details on materiality, significant risks, accounting estimates, logistics and fees is also provided. The proposed timetable is shared which refers to production of the Audit Plan, Audit Findings Report, Audit Opinion and Auditor's Annual Report.
- 7.3. The report is included within Appendix C.

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

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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
- 15.3. Appendix C – London Borough of Lewisham and London Borough of Lewisham Pension Fund Audit Plan for the year ending 31 March 2022

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.</p> <p>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 has been undertaken with a working paper to support officers’ assessments.</p> <p>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> <p>There may also be additional issues as a result of the national review of infrastructure asset valuations. This will be covered within 2021/22 Statement of Accounts & Audit.</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 – Council

Assessment	Issue and Risk	Recommendations	Management Action
Medium	<p>The school bank account reconciliations provided to audit were not reconciled to the bank statement as at 31 March 2021. There was a subsequent delay in providing the audit team with appropriate year end reconciliations.</p> <p>Our review of the Eurobank reconciliation also identified a trivial unreconciled difference of £7,082 between the trial balance and the ledger which management have not been able to explain.</p>	<p>Management should provide complete reconciliations that reconcile the schools ledger balance to the bank statement as at 31 March 2021. Evidence for any reconciling items should be retained as part of the evidence submitted to audit.</p>	<p>The request for school bank account reconciliations has been incorporated into the revised schools closing templates and documentation. Training has been delivered by the Service Finance team to ensure schools are familiar with their responsibilities.</p> <p>There were varying degrees of compliance with the new process and the Service Finance were required to provide a significant amount of in depth support. A lessons learnt session will be held with schools and additional training provided in Autumn to embed the new ways of working.</p> <p>The next steps are; May / June 22: Reconciliations of school bank accounts to bank statements carried out by Service Finance September 22: Lessons Learnt session with Schools to improve Schools-led reconciliations January 23: 2022/23 year-end guidance circulated February 23: Additional training provided to Schools</p> <p>The exchange rate applied to the balance in 2020/21 was incorrect, which cause the balance. This has now been corrected.</p> <p>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</p>	<p>Management should review and stop all out dated cheques.</p>	<p>A process does exist to stop cheques where this is specifically requested. A regular review is required to ensure that all cheques over 6 months are stopped as part of business as usual.</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

	months old which have not been stopped. These should be stopped and written back.		This is being undertaken every 3 months. At the last review in June 2022 the cash team confirmed there were no cheques outstanding over six months old.
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Appendix A

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

Action Plan – Audit of Financial Statements – Council

Assessment	Issue and Risk	Recommendations	Management Action
Medium	You had difficulties in providing us with evidence to support the accounting entries within Receipts in Advance and Creditors associated with your Section 106 agreements.	Management need to review all Section 106 agreements to ensure you are appropriately recording and tracking the receipt and expenditure associated with these agreements. Management need to fully reconcile the Section 106 recording system (Exacom) to the ledger on an agreement by agreement basis.	A comprehensive review has been undertaken; matching Exacom (the planning system used to record s106 transactions) entries to Oracle ledger receipts, project usage and associated conditions. 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 is 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 has been delivered by the Service Finance team to ensure schools are familiar with their responsibilities. As noted for the related year-end recommendation, there were varying levels of compliance and so a lessons learnt session will be delivered and additional training provided. The next step is to provide the reconciliation and supporting working papers for audit to support the 2021/22 financial statements.
Medium	Our review of 20/21 starters identified that HR were not receiving signed contract from new employees	Management should obtain and retain signed and dated contracts of employment for all staff.	The Resourcing department requests signed contracts from new employees as part of the induction process. The current process does not allow for a retrospective review of returned contracts and so additional monitoring is required going forward.

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

			Options are being discussed by the relevant HR team. An update will follow once this has been determined.
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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 has been reviewed for April and May 2022 is in progress. Several items have been identified which were subsequently accrued / removed as a duplicate.</p> <p>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. This will result in far less manual adjustments being required.</p> <p>This has been tested and the final version for 2021/22 is expected imminently.</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. 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 above.</p>

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

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Paul Grady
Key Audit Partner
T +44 (0)20 7728 2301
E Paul.D.Grady@uk.gt.com

Paul Jacklin
Senior Manager
T +44 (0)20 7728 3263
E Paul.J.Jacklin@uk.gt.com



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.

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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. Impacts will be disclosed once known within the Statement of Accounts and/or Budget Monitoring reports.</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. 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. This is a new pro-forma introduced in 2021/22, but the expectation is that information will be requested in January & then May.</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. This is a new pro-forma introduced in 2021/22, but the expectation is that information will be requested in January & then May.</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. 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	<p>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.</p> <p>No losses have currently been identified.</p>

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>Lewisham Council maintains an effective control environment. However, like all large organisations, even an effective control environment cannot provide absolute immunity to fraud and error. The Council suffers a small number of such incidents each year arising from causes such as opportunistic theft, human error and deficiencies in control design among others. The Council's Anti-Fraud team (AFACT) identify and investigate these incidents, and provide each year a report on their activity. While the Council will continue to seek opportunities to improve its control efficiency, such incidents will continue to occur although the losses remain minor.</p> <p>In the context of responding to these enquiries we have had regard to your definitions of materiality and triviality set out in your audit plan. We have focussed our responses on only those matters which are (or have a reasonably foreseeable possibility of becoming) non-trivial, either individually or in aggregate".</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>

Fraud risk assessment

Question	Management response
<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>We are not aware of any such instances since 1 April 2021 (see general comment on fraud and error materiality within Q1).</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?	No
Are there particular locations within London Borough of Lewisham and Pension Fund where fraud is more likely to occur?	<p>(Specific Fraud Risks) – With reference to general comments on materiality, we have not identified any specific fraud risks at the Council that require mitigation beyond our existing operative control environment.</p> <p>(Concerns on areas at risk) – With reference to general comments on materiality, there are no areas of the Council that we currently are concerned as exhibiting fraud risks that require heightened response.</p> <p>(Particular locations) – Services that handle large transactions, such as investments and assets, are inherently at greater risk of creating non-trivial frauds. The same is true of accounting who hold the ability to alter the council's financial records through use of journals and estimated values. However, we do not believe these areas to represent heightened threat beyond that inherent risk and so mitigate through use of our existing control environment.</p>
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 or increased potential for override beyond inherent risk. We do not believe the Council delivers undue pressure over financial targets such as that raises the risk of misreporting. We have channels available, such as whistleblowing, if anyone ever experiences such pressure to raise issues (anonymously, if necessary) and have them investigated.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No</p> <p>The potential for material misreporting exists principally where officers are working with large entries in the financial statements, including investments, assets and through journals. We do not consider any of these areas to be at heightened risk beyond the inherent threat, and manage that risk through our control environment.</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 its 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:

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- 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.

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 of 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
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>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>
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	<p>The Council's risk management process contributes in identifying risks that might indicate financial liabilities which should be reflected in the financial statements, for example as a provision or contingent liability. Senior Management receive quarterly reports of the Council's key strategic risks, including an update on implementing any additional controls. The Council's finance team will, where appropriate, use information from the risk register in identifying liabilities to be disclosed and/or valuing those liabilities through the management meetings that take place during closedown.</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>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>
4. How do management review the outcomes of previous accounting estimates?	<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>
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	<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>The Council uses suitably qualified internal and external professionals. The CIPFA guidance is followed at all times and reviews are undertaken to ensure appropriateness and integrity of data. The results are audited externally as a final check.</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>

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 50	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. Valuations received are reviewed internally to ensure in line with expectations and queried as required.	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. The depreciation method is in line with the code and is reviewed yearly, it is calculated by an approved Fixed Asset register package and checked before being processed.	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	Management reviews the reports and valuations received from the external bodies tasked with carrying these out. The assumptions used are checked by reference to Code of Practice and any other relevant standards. Any material changes, in assumptions or values, compared to previous years, are queried"	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 Page 52	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?
Page 53 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.

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

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London Borough of Lewisham and London Borough of Lewisham Pension Fund Audit Plan

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Your key Grant Thornton team members are:

Paul Grady

Key Audit Partner
T 020 7728 2439
E Paul.D.Grady@uk.gt.com

Paul Jacklin

Senior Manager
T 020 7728 3263
E Paul.J.Jacklin@uk.gt.com

Lakshmi Forster

Assistant Manager
T 020 7728 3193
E Lakshmi.Forster@uk.gt.com

Lisa Lee

Incharge auditor
T 020 7184 575
E Lisa.PH.Lee@uk.gt.com

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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 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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Key matters

Factors

Our response

Recovery from the pandemic

The COVID-19 pandemic has had an unprecedented impact on the Council's operations. The Council has adapted to new ways of working, such as remote working for the majority of employees, and a reliance on redeployment and volunteering to support those services where the need is greatest. The Council has continued to deliver its critical services - keeping schools open for children of key workers and vulnerable families, working with care homes, allowing parks and public spaces to remain open and ensuring bin collections and recycling continue as usual.

The Council agreed a broad package of support to businesses and residents, such as: holding back on reminders due on bills raised; deferring commercial rents and annual waste charges for defined periods; cessation of fees and charges for market traders for the same period; and establishing a 'Lewisham backs Business' Task Force, comprising lead Members, representatives from the local business community, industry, and officers to develop and coordinate a whole Council response to supporting business and jobs recovery quickly and inclusively from the disruption of the pandemic. These measures support the delivery of the Council's corporate priorities, in particular the 'building an inclusive local economy' priority.

Although the measures the government has put in place over the pandemic have now ceased, the demand for critical services and the new responsibilities that the pandemic has brought continue. The Council has used the challenges caused by the pandemic as an opportunity to streamline decision making, make transactional work more automated, improve the efficiency of processes and increase overall productivity.

The Council has focused on tracking these improvements and identifying any further efficiencies that could be made. The Council also recognised this as an opportunity to change how it delivers services and for different departments to work in collaboration to produce better outcomes.

2022 Borough of Culture

Introduced by the Mayor of London Sadiq Khan in 2017, the London Borough of Culture award is a competition that sees London's 32 boroughs bid for more than £1m of funding to stage a programme of cultural events and initiatives. Lewisham is the Mayor's London Borough of Culture 2022. With a call to action on the climate emergency and a celebration of Lewisham's diverse communities, the year-long programme is inspired by the borough's rich history of activism and standing up for equality. Jointly led by Lewisham Council and the Albany performance arts centre, 'We Are Lewisham' will bring together all of your neighbourhoods, communities and stories and draw on:

- The Seven Inclusive Principles for disabled people in arts & culture, an initiative that offers practical guidance to arts and cultural organisations to support disabled artists, audiences, visitors, participants and employees, developed by campaigning cultural organisations;
- The Anti-Racism Touring Rider, a guidelines document to make touring a safer, more equitable environment, developed by organisations and freelancers across the country, and
- The Theatre Green Book, an initiative by the whole of theatre to work more sustainably, that sets out a path to a sustainable future, developed by theatre-makers and sustainability experts.

- We will consider your arrangements for managing and reporting your resources as part of our work in completing our Value for Money work.
- We will follow up our Value for Money findings reported within the 2020-21 Auditor's Annual Report.
- We will continue to provide you with sector updates via our Audit Panel updates.

Key matters

Factors

The financial challenge

The Council's budget of £243m is significantly less than the £400 million it was a decade ago. The funding reduction has required the Council to implement savings of over £190m since 2010. The ability to identify, agree, and implement further savings to service budgets has become ever more challenging. The Council are required to identify a further £40 million of savings (including £28m for 2021-22) over the next three years, plus an additional £10 million to respond to growth and an increase in demand for services.

2021/22 has continued to be a challenging year for all public sector bodies as they continue to react to the demands of the pandemic. At the end of January 2021 the Council is forecasting a General Fund overspend of £27.8m. The overall position consists of COVID-19 related expenditure or income foregone of £25.9m which is met entirely by COVID-19 grant funding. This means that General Fund 'business as usual' is forecast to overspend by £1.9m. The Council is working on reducing the overspend. As at the end of January, £19.5m (70%), of the savings or demand reduction have either been achieved, are on track to be achieved or are to be delivered in an alternative way. Where savings have not been achieved to date, services are working to find alternative savings or cost reductions to enable the overall savings target to be achieved.

The provisional local government finance settlement sets out funding for the Council for one year only. The impact of settlement figures for 2022/23 is a 6.9% increase in Core Spending Power. This includes an expectation of a maximum 3% increase in council tax plus an assumption of the tax base increasing. Given the current inflation rate this represents a real terms decrease. The Council's the Medium Term Financial Strategy as reported to Cabinet in July 2021 for 2022/23 was £2.3m budget which was successfully closed and a balanced budget for 2022/23 has been set. The budget included a 2% increase in the general element of its Council Tax, with a 1% Adult Social Care precept increase that is ringfenced to fund the council's adult social care services for residents.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will follow up our recommendations made in the prior year Audit Findings Report. Progress on recommendations is reported in Appendix 1.

Key matters

Factors

Pension Fund

During the year the Pension and Investment Panel has focused on the implementation of the new investment strategy, which will involve new managers and asset allocation. There will also be a focus on how the Fund collaborates with the London Collective Investment Vehicle to make greater progress in product development and transition of assets to ensure cost savings for members of the Fund.

The investment assets have continued to rise throughout 2021-22 and as at 31 December 2021 were £1,801m which is an increase of £76m from 30 September 2021. At the end of December 2021 the Fund had approximately £55m in cash which will be deployed in new investments such as the Legal and General Build to Rent Fund. The Fund has sold a substantial amount of UBS and Blackrock equities and invested these proceeds in the LCIV PEPPA fund. Rebalancing of the fund continues and there will be a further transition to low carbon equity with Storebrand which is expected in the new financial year.

Investments in Russian businesses

Following the Russian invasion of Ukraine that has led to the UK Government sanctions Local Government Pension Scheme funds are being advised to consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken. The Moscow Stock Exchange closed on February 28 2022 and an apparent ban on western companies from selling Russian investments was imposed by prime minister Mikhail Mishustin has compounded investors' liquidity problems, with markets for Russian stocks and government bonds drying up.

Members as the Funds Trustees are expected to uphold their fiduciary duties, prioritising scheme returns and the proper payment of pensions. However, Members are allowed to consider ethical factors concerning investments, and can divest from problematic assets provided that this does not prove materially detrimental to the scheme. The Pensions Regulator has asked all schemes to ensure that their investments are aligned with the UK government's sanctions on Russia.

Our response

- We will review the accuracy and completeness of the transition to fund managers.
- We will review the funds response to any exposure in investments in Russian businesses

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of London Borough of Lewisham ('the Council') and the London Borough of Lewisham Pension Fund (the Pension Fund) for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of London Borough of Lewisham. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's and Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Panel); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Panel of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of Lewisham Homes Limited and Catford Regeneration Partnership Limited.

Significant risks

Council

- The risk that the valuation of land and buildings in the accounts is materially misstated.
- The risk that the valuation of the net pension fund liability in the accounts is materially misstated.
- The risk of management override of controls.

Pension Fund

- The risk of management override of controls.
- The risk that the valuation of level 3 investments and direct property investments in the accounts is materially misstated

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

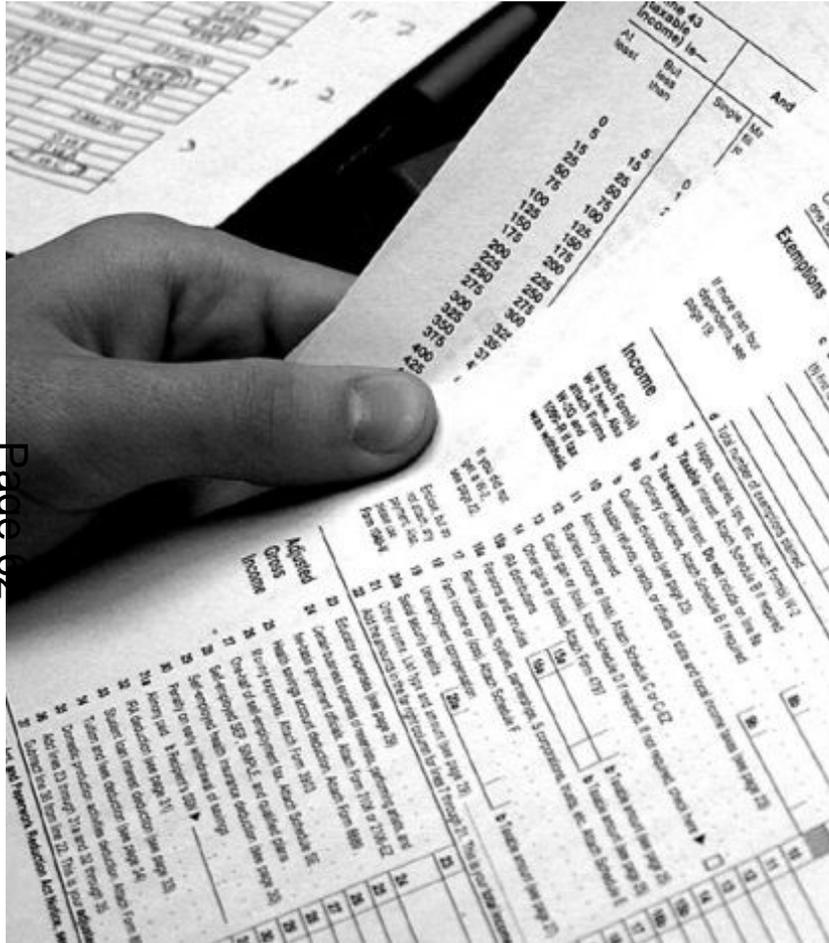
Council

We have determined planning materiality to be £17.2m for the Council and £17.3m for the Group (PY £18m Council and £18.2m Group), which equates to approximately 1.5% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.860m (PY £0.9m).

Pension Fund

We have determined materiality at the planning stage of our audit to be £16 (PY £16m) for the Pension Fund, which equates to approximately 1% of the 2020/21 net assets. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.8m (PY £0.8m).

Introduction and headlines cont.



Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We are aware of a number of current issues and developments at the Council, as set out below, that we will review in more detail as part of our Value for Money work:

- The Council's arrangements for understanding of the costs of general fund placements and Education Dedicated Support Grant related Education Health & Care Plans and Special, Educational Needs and Disability costs across the Children and Young People Directorate.
- The Council's arrangements for reporting on the delivery of savings programmes.
- The Council's arrangements for improving the systems used by Social Care staff.
- The Council's arrangements for setting, monitoring and delivering the Medium Term Financial plan.
- The Council's reserves strategy.
- The Council's arrangements for delivering its capital programme.
- The Council's arrangements for risk management.
- The Council's arrangements for performance monitoring and reporting including the subsidiaries

Audit logistics

Our interim visit took place in March 2022 and our final visit will take place between July to November 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £233,289 (PY: £264,530) for the Council and £38,008 (PY: £40,500) for the Pension Fund, subject to the Council and Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Group audit scope and risk assessment

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
London Borough of Lewisham Council	Yes		<ul style="list-style-type: none"> Management override of controls Valuation of property, plant and equipment Valuation of pension fund net liability 	Full scope audit performed by Grant Thornton UK LLP.
Lewisham Homes Limited	No		<ul style="list-style-type: none"> Management override of controls Valuation of property, plant and equipment Valuation of pension fund net liability 	Specific scope procedures on valuation of property plant and equipment to be performed by our audit team.
Catford Regeneration Partnership Limited	No		<ul style="list-style-type: none"> Management override of controls Valuation of Investment Property 	Specific scope procedures on valuation of investment property to be performed by our audit team.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240	Group, Council and Pension Fund	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of the Council and Pension Fund, we have determined that it is likely that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including London Borough of Lewisham, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the Council or the Pension Fund.</p>
Management override of controls ISA (UK) 240	Group, Council and Pension Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>The Council faces external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings including Council dwellings	Council and Group	<p>The Council revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£2.5 billion) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management has engaged the services of a valuer to estimate the current value as at 31 March 2021. We therefore identified valuation of land and buildings, specifically council dwellings, other land and buildings and surplus assets, as a significant risk of material misstatement, and a key audit matter.</p> <p>On 3 February 2022 CIPFA LASAAC launched a consultation on proposals for an update of the 2021/22 Code relating to the approach to measurement of operational property, plant and equipment. This consultation has now closed and CIPFA have confirmed no changes to the Code in respect of the valuation of PPE.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • assess the value of a sample of assets in relation to market rates for comparable properties; • test a sample of beacon properties in respect of council dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group; • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. • Review and challenge the Council's classification of assets. The Council are unusual in not owning any investment properties.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£771million in the Council's balance sheet at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assess the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from our pension fund testing as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements.
Valuation of Level 3 Investments	Pension Fund	<p>The Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£138 million) and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently request year-end confirmations from investment managers and the custodian; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • where available review investment manager service auditor report on design and operating effectiveness of internal controls.

Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Completeness of non-pay operating expenditure and associated short-term creditors	Council	<p>Non-pay expenditure on goods and services represents a significant percentage (55%) of the Council's gross operating expenditure. Management uses judgement to estimate accruals of un-invoiced costs. In the prior year our sample audit testing identified payments that have been coded to the incorrect financial year.</p> <p>We identified completeness of non-pay expenditure and associated short-term creditors as a risk requiring particular audit attention.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set; gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; and obtain and test a listing of non-pay payments made in April and May 2022 to ensure that they have been charged to the appropriate year.
Value of Infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note	Council and Group	<p>Infrastructure assets includes roads, highways, bridges and streetlighting. Each year the Council spends circa £5m on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £109m which is over 6 times materiality.</p> <p>In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address:</p> <ol style="list-style-type: none"> The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced. <p>For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.</p>	<p>We will:</p> <ul style="list-style-type: none"> Reconcile the Fixed Asset Register to the Financial statements Using our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets Obtain assurance that the UEL applied to Infrastructure assets is reasonable Document our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated We will review the outcome of the CIPFA consultation. The work we will perform will be in line with the Financial Reporting Advisory Board approval.

Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 2 Investments	Pension Fund	<p>While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.</p> <p>We therefore identified the valuation of the Fund's Level 2 investments as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls; review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; review the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances; independently request year-end confirmations from investment managers and custodian; and review investment manager service auditor report on design effectiveness of internal controls.
Contributions	Pension Fund	<p>Contributions from employers and employees' represents a significant percentage of the Fund's revenue.</p> <p>We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate the Fund's accounting policy for recognition of contributions for appropriateness; gain an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls; agree changes in Admitted/Scheduled bodies to supporting documentation and agree total contributions for each employer to employer contributions reports; test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.
Pension Benefits Payable	Pension Fund	<p>Pension benefits payable represents a significant percentage of the Fund's expenditure.</p> <p>We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; test a sample of lump sums and associated individual pensions in payment by reference to member files; and test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Actuarial Present Value of Promised Retirement Benefits	Pension Fund	<p>The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements.</p> <p>The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£1.8 billion) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • test the consistency of disclosures with the actuarial report from the actuary; and • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

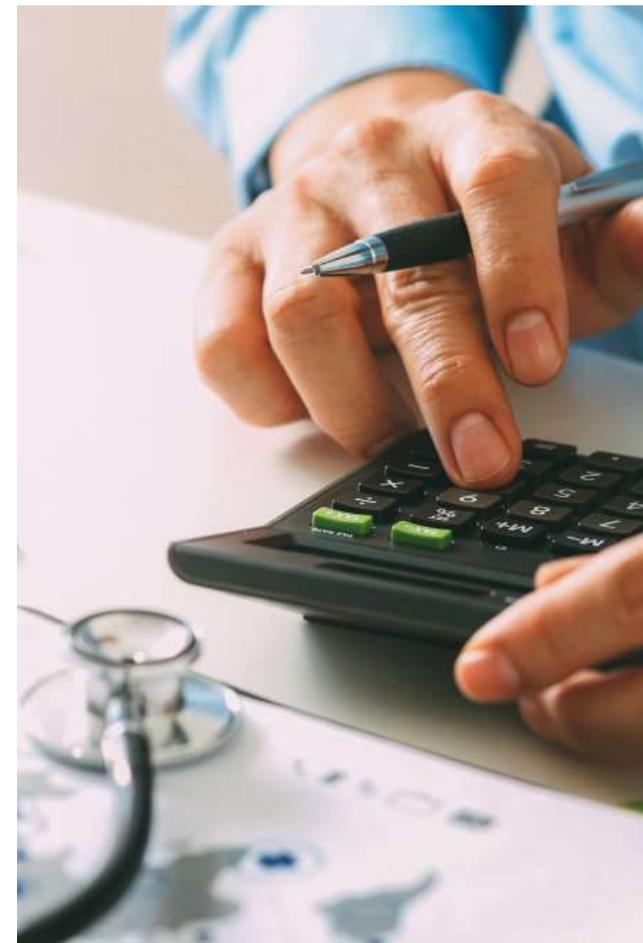
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

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

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

Specifically do Audit Panel members:

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



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

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

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation

Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services

Credit loss and impairment allowances

Valuation of defined benefit net pension fund liabilities

- Fair value estimates
- Valuation of Level 2 and 3 investments
- Valuation of the Present Value of Future Retirement Benefits

The Council's Information systems

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

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

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

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

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



Estimation uncertainty

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

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

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

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

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

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

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

Planning enquiries

As part of our planning risk assessment procedures we have shared a questionnaire with Management to obtain their responses over these Accounting Estimates. This document will be presented to the Committee for consideration and approval by those charged with governance once we have received these responses.

Further information

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

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

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

Council and Group

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £17.2m for Council and £17.3m for the group (PY £18m for Council and £18.2m for Group), which equates to approximately 1.5% of the Council's prior year gross expenditure for the year.

Pension Fund

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £16m (PY £16) for the Pension Fund, which equates to approximately 1% of the Pension Fund's prior year net assets.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Panel

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Panel any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.860m (PY £0.9m). For the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.8m (PY £0.8m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Panel to assist it in fulfilling its governance responsibilities.

Council prior year gross expenditure

£1,153m Council and
£1,155m Group



■ Prior year gross...
■ Materiality

Materiality

£17.2m Council and
£17.3m Group

Council financial
statements materiality
(PY: £18m)

£0.860m Council and
Group

Council misstatements
reported to the Audit
Panel
(PY: £0.9m)

Pension Fund prior year net assets

£1,617m



■ Prior year gross...
■ Materiality

Materiality

£16m

Pension Fund
financial statements
materiality
(PY: £16m)

£0.8m

Pension Fund
misstatements
reported to the Audit
Panel (PY: £0.8m)

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle Fusion	Payroll, Accounts Payable, Accounts Receivable, Ledger and Reporting.	<ul style="list-style-type: none"> Streamlined ITGC design assessment
Academy	Housing Benefits, Council Tax and Business rates	<ul style="list-style-type: none"> Streamlined ITGC design assessment
Alto	Pensions Administration	<ul style="list-style-type: none"> Streamlined ITGC design assessment

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The key areas of focus we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Key areas of focus

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We are aware of a number of current issues and developments at the Council, as set out below, that we will review in more detail as part of our Value for Money work :

The Council's arrangements for understanding of the costs of general fund placements and Education Dedicated Support Grant related Education Health & Care Plans and Special, Educational Needs and Disability costs across the Children and Young People Directorate.

- The Council's arrangements for reporting on the delivery of savings programmes.
- The Council's arrangements for improving the systems used by Social Care staff.
- The Council's arrangements for setting, monitoring and delivering the Medium Term Financial plan.
- The Council's reserves strategy.
- The Council's arrangements for delivering its capital programme.
- The Council's arrangements for risk management
- The Council's arrangements for performance monitoring and reporting including the subsidiaries.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team

Planning and risk assessment

Interim audit
March 2022

Audit Panel
June 2022

Audit Plan

Year end audit
July to November
2022

Audit Panel
November 2022

Audit Findings
Report

Audit
opinion

Audit Panel
February 2023

Auditor's
Annual
Report

Paul Grady, Key Audit Partner

Paul is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit Panel, the Chief Executive and the Chief Financial Officer. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Paul will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Paul will sign your audit opinion.

Paul Jacklin, Senior Manager

Paul is responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit Panel, CFO and finance team. Paul will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable. Paul will be responsible for the delivery of our work on your arrangements in place to secure value for money.

Lakshmi Forster, Assistant Manager

Lakshmi will support Paul in his work to ensure the early delivery of audit testing and lead on a number of complex accounting issues. Lakshmi will perform first reviews of the team's work. In addition, Lakshmi will also liaise with key members of the finance team to ensure audit testing and reviews are conducted on a timely basis.

Lisa Lee Audit Incharge

Lisa will lead the onsite team and will be the day to day contact for the audit. Lisa will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Lisa will undertake the more technical aspects of the audit, coach the junior members of the team and review the teams work

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- Produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement.
- Ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- Ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing. These reports should be cleansed so that reversing transactions are removed.
- Provide debtor and creditor listings that are the balances outstanding at the year end
- Ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- The Council's experts provide clarity and detail over their work to enable auditors to challenge the accounting and valuation judgements used.
- Respond promptly and adequately to audit queries.

Audit fees

In 2018, PSAA awarded a contract of audit for London Borough of Lewisham to begin with effect from 2018/19. The fee agreed in the contract was £155,389 for the Council audit and £16,170 for the Pension Fund. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the 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, as detailed on pages 14-15 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in the audit fee. Our proposed work and fee for 2021/22 is set out below. This has yet to be agreed with PSAA.

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	Actual Fee 2020/21	Proposed fee 2021/22
Council Audit	£264,530	£253,289
Pension Fund	£40,500	£38,008
Total audit fees (excluding VAT)	£305,030	£291,297

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

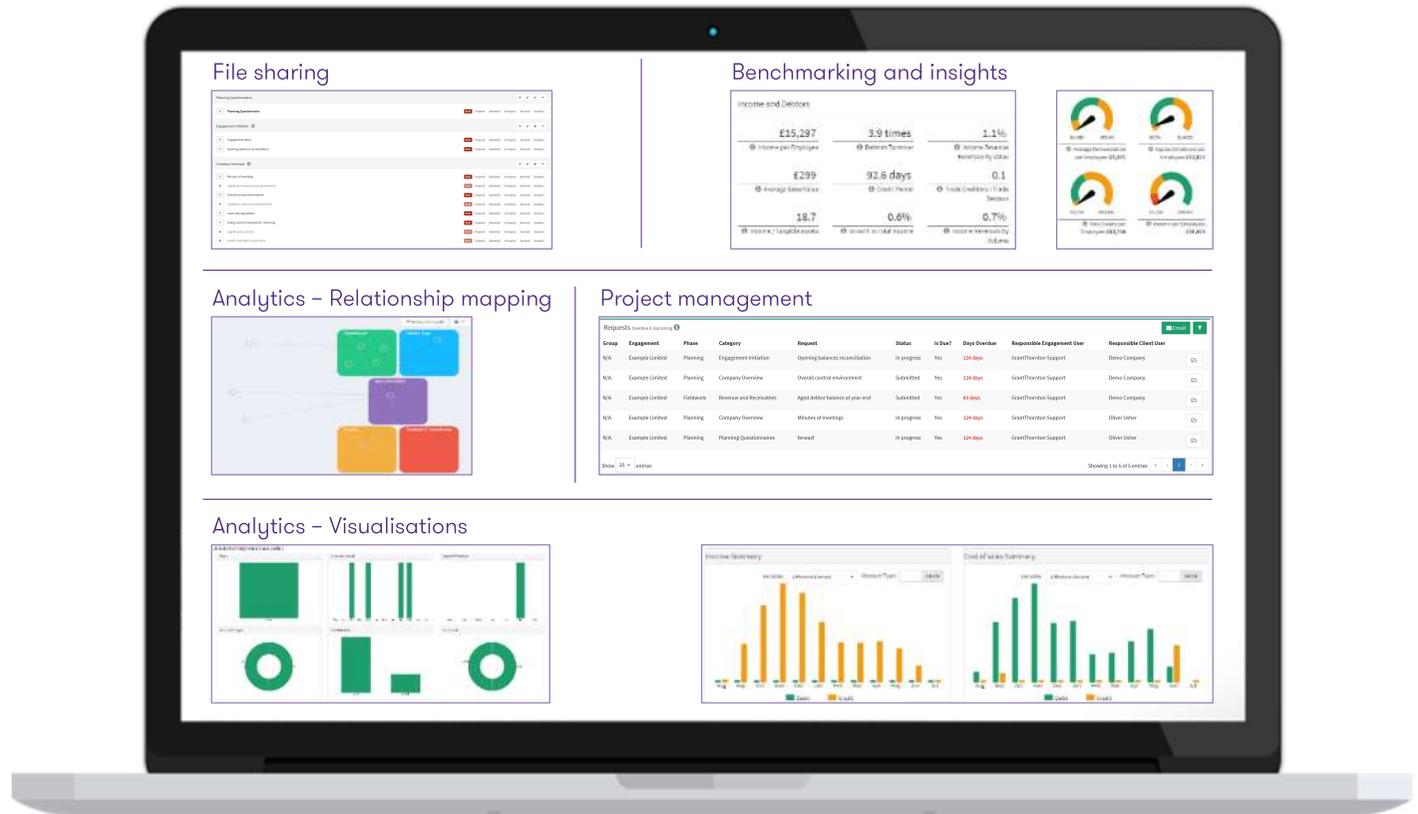
One of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teacher's Pension Return	7,500	For these three audit-related services, we consider that the following perceived threats may apply:	The level of recurring fees taken on their own are not significant in comparison to the confirmed scale fee for the audit of £155,389 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors mitigate the perceived self-interest threat to an acceptable level. Our team have no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to audit the financial statements, and is performed after the audit of the financial statements has been completed. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.
Certification of Housing Benefits subsidy	34,926	<ul style="list-style-type: none"> Self-Interest (because these are recurring fees) 	
Certification of Housing Capital Receipts	5,000	<ul style="list-style-type: none"> Self Review Management 	

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the group's financial statements, which resulted in 9 recommendations being reported in our 2020/21 Audit Findings Report. The table below details the Council's progress with implementing the recommendations.

Issue and risk previously communicated	Council's Update on actions taken to address the issue	Auditor Assessment
<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>It is recognised that although reconciliations and approvals were carried out, there was no single repository of project documentation to evidence this. This has now been implemented through the corporate Project Management Office, with all significant projects now having a dedicated repository in MS Teams.</p>	<p>The recommendation is being followed up as part of our IT General Controls work in 2021-22.</p>
<p>Management should implement the recommendations raised in the IT General Controls report.</p>		
<p>Our review of the Council's fixed asset register identified 123 assets that have a Net Book Value of nil. The Council 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>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>	<p>We will verify that the recommendation has been implemented through our 2021-22 testing on depreciation</p>
<p>Management should undertake a review of all assets that have a nil Net Book Value. The Council will need to review whether these 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 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. 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>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>The exchange rate applied to the balance in 2020/21 was incorrect, which cause the balance. This has now been corrected.</p>	<p>We will verify that the recommendation has been implemented through our 2021-22 cash testing.</p>
<p>Management should provide complete reconciliations that reconcile the schools ledger balance to the bank statement as at 31 March. Evidence for any reconciling items should be retained as part of the evidence submitted to audit.</p>		

Appendix 1: Progress against prior year audit recommendations continued

Issue and risk previously communicated	Council's Update on actions taken to address the issue	Auditor Assessment
<p>Our review of the bank reconciliation for the image pay bank payment account identified several cheques that are over 6 months old which have not been stopped. These should be stopped and written back.</p> <p>Management should review and stop all out dated cheques.</p>	<p>A process does exist to stop cheques where this is specifically requested. A regular review is required to ensure that all cheques over 6 months are stopped as part of business as usual. This 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>	<p>We will verify that there are no out of date cheques on key reconciliations.</p>
<p>The Council had difficulties in providing us with evidence to support the accounts entries within Receipts in Advance and Creditors associated with your Section 106 agreements.</p> <p>Management need to review all Section 106 agreements to ensure that the Council 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.</p>	<p>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.</p>	<p>We will verify that the recommendation has been implemented through our 2021-22 testing on Section 106 receipts.</p>
<p>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 data (i.e. bank reconciliation or the school payroll reports).</p> <p>Management should reconcile the schools finance reports to source data prior to journaling the entries into the ledger.</p>	<p>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.</p> <p>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.</p> <p>This will also be tested as part of the 2021/22 audit work</p>	<p>We will verify that the recommendation has been implemented through our 2021-22 testing on schools expenditure.</p>
<p>Our review of 20/21 starters identified that HR were not receiving signed contracts from new employees.</p> <p>Management should obtain and retain signed and dated contracts of employment for all staff.</p>	<p>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.</p>	<p>We will verify that the recommendation has been implemented through our 2021-22 payroll testing.</p>

Appendix 1: Progress against prior year audit recommendations pension fund

Issue and risk previously communicated

The current set up of the general ledger is not conducive for financial reporting. This results in management having to make several significant adjustments each year outside of the ledger to consolidate the pension fund financial statements. This makes the process more time consuming and increases the potential for errors/omissions to occur.

Management should reconfigure the ledger so that it is in line with external reporting and minimizes (or eliminates) the need for manual adjustments.

Council's Update on actions taken to address the issue

Northern Trust have agreed to amend the data they provide so that it is in line with the Oracle coding structure. The Fund will purchase an additional service so that the format also matches to that required. This will result in far less manual adjustments being required.

The reconciliation is now undertaken timely and reviewed regularly.

Auditor Assessment

We will verify that the recommendation has been implemented through our 2021-22 testing on reconciling the pension fund statements to the ledger.

Our testing of Admitted and Scheduled bodies monies identified an absence of monthly reconciliations of remittances made by admitted and schedule bodies to expected receipts and to posting on the ledger. In addition, there was no reconciliation of monthly payroll contribution data from the Administering Authority (Council) to posting in ledger.

Management should reconcile contributions income received by admitted and scheduled 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.

The year end reconciliation will be reviewed as part of our 2021-22 audit.



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Audit Panel

Report title: Grant Thornton External Auditor's Annual Report 2020/21

Date: 21 June 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:

- Present the final External Auditor's Annual Report for 2020/21

1. Summary

- 1.1. The purpose of this report is to present the final External Auditor's Annual Report for 2020/21.

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. Auditor's Annual Report 2020/21

- 4.1. Grant Thornton, the external auditors for London Borough of Lewisham Council and Pension Fund will present the final Annual Report for 2020/21. This covers the Value for Money (VFM) work required as part of the overall audit which was conducted by the auditors following the completion of the Financial Statement and Annual Governance Statement work.
- 4.2. The recommendations, which are accepted by management, will be added to the action tracker for progress with their implementation to be reported on as part of the Audit Panel standing agenda item.
- 4.3. 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

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

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

12. Appendices

12.1. Appendix A – Auditor’s Annual Report on the London Borough of Lewisham

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Auditor's Annual Report on the London borough of Lewisham

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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C – Use of formal auditor's powers	

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. 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.

Executive summary

Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made



Financial sustainability

The Council is operating in an increasingly uncertain financial environment. Funding over the medium-term remains unclear as successive spending reviews have continued to span a one-year timeframe. The ongoing impact of Covid-19 both on the Council's ability to raise income through fees and charges or local taxation, and control operating costs, as well as on longer-term economic behaviour of residents, creates further unknown variables.

The Council reported a small £0.2m overspend in 2020-21, but has identified resource gaps over the medium term period. The Council has recommended savings plans and cost efficiencies rather than relying on one off drawn down from reserves to bridge future gaps and enable balanced budgets to be set.

Whilst financial resilience was managed effectively in 2020-21, and our work has not identified any significant weaknesses, the Council are mindful that there remains a significant financial challenge over the medium term. We have identified improvement recommendations to further strengthen the arrangements in place. Recommendations include continuing to understand the impact of key cost drivers in service delivery across directorates and to increase the depth of sensitivity and scenario planning to model the financial impact of changes in economic assumptions, demand levels and proposed decisions.

Further details are shown on pages 6-15 of this report.



Governance

Our work this year has focussed on developing an initial understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic. Overall, we found that good governance processes are in place, and these have been appropriately adapted over the year as a result of the Covid-19 pandemic.

Our work has not identified any significant weaknesses in governance arrangements. We have identified improvement recommendations including the need to streamline and centralise risk management processes. We also noted that there has been a significant degree of change in the Statutory role of Monitoring Officer in 2020/21, however, we are satisfied that the role has been adequately covered throughout this period.

Further details are shown on pages 16-18 of this report.

Executive summary



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Overall, the Council continues to work on new initiatives and processes, such as the creation of a centralised intelligence hub, which will ensure clarity around data and insight to enhance a more strategic reporting approach. In addition, a new organisational development strategy is being implemented which establishes how the Council operate in terms of performance monitoring and management. This will take time to fully implement and embed.

Our work has not identified any other significant weaknesses in arrangements or improvement recommendations in relation to delivering economy efficiency and effectiveness. We have identified some improvement recommendations to help with strengthening the Council's current arrangements

Further details are shown on pages 19-21 of this report.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 23 . Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2020/21 revenue financial performance

Over the past few years the Council has used reserves at an average of £3.5m per year to set a balanced budget. In 2020/21 the Council were able to set a balanced budget, without the use of reserves. The ability to identify, agree, and implement further savings to service budgets has become ever more challenging. The outbreak of the Covid-19 pandemic in March 2020 meant that the Council's financial plans for 2020/21 were superseded almost as soon as they had been approved. Over the year, the Council's business was changed significantly. In March 2020, Council activity both ground to a halt and ramped up in equal measure, with 'non-critical' services wound down almost overnight and a new, urgent focus on 'critical services'. The Council's leadership team, members and range of services faced new demands, challenges, pressures and opportunities.

The Council, along with other local authorities both locally and nationally, faced additional spending pressures to support local residents and communities. It also faced significant lost income due to reductions in activity across some services, as a result of lockdown measures and additional restrictions in place.

Whilst the outlook remained uncertain and challenging throughout the period, the Council demonstrated its ability to adapt to rapidly-changing circumstances. This will continue to be critical, considering the unknown ongoing impact of the Covid pandemic, both on economic behaviour and service demand, and the wider uncertainties in the medium-term financial landscape.

During the year, the Council and its committees continued to receive reports on the pandemic's impact on the Council's financial performance and projected year-end outturn.

At each stage of reporting during the year, the Council's officers were open with members about the level of funding available and the impact on the Council's financial position and available reserves. Only funding which had been confirmed was incorporated into reported financial forecasts, which demonstrates the Council's prudence, openness and commitment to ensuring decision-makers have relevant information available to them.

The overall General Fund revenue outturn position for 2020-21 was an overspend of £0.2m. Included within the finances was Covid-19 related expenditure of £40.8m, which has been funded by Covid-19 government grant income. In total, some £56.6m of additional government grant income to support the local authority's response to the Covid-19 pandemic has been provided to Lewisham. A total of £40.8m has been applied to costs incurred within the year, leaving a balance of £15.8m of one off resources to be carried forward into 2021/22 to alleviate the ongoing costs of the pandemic. It is important to note that the balances carried forward reflect that some grants have been received in advance and work continues in relation to these grants so the full costs to match against them have not yet been incurred. In addition to the grants paid in advance of need, the Council also carried forward funding in relation to business support grants that the Council was administering on behalf of central government.

Executive Directors have worked to contain non Covid-19 expenditure within budget and the additional expenditure controls have remained in place from September 2020. This additional scrutiny has helped to reduce non-essential expenditure and has had a positive impact in leading to a reduction in non-essential spend.

The Dedicated Schools Grant (DSG) reported an overspend of £2.4m. The overspend is mainly due to Special Educational Needs and Disability (SEND) costs. The Council will need to continue to work with schools to understand the cost implications of the rising SEND pupil numbers.

The year-end positions of Council Tax and Business Rates collection have shortfalls due to lower income collection of £4.7m and £4.9m, respectively. This level of under-collection of income presents further risks to the Council and will impact on the Collection Fund over the next few years.

The General Fund balance including earmarked reserves increased to £200.7m an increase in £49.6m. HRA reserves at £75m have decreased by £9.3m over the year.

Financially as well as in many other ways, 2020/21 was a unique year for the Council. Officers acknowledge, and have clearly reported to members in the Outturn Report and through other means, that significantly greater financial challenge will be faced over the medium term. Officers are also conscious that the ongoing trajectory and impact of the pandemic is a significant unknown in accurately forecasting the Council's finances.

Financial sustainability

2020/21 budget and outturn

In February 2020, Full Council approved a balanced General Fund revenue budget for 2020/21 which incorporated the maximum permissible 1.99% Council Tax increase alongside an additional 2% for the Adult Social Care precept (expected to generate an extra £2.3m for Adult Social Care). The budget included the New Homes Bonus allocation of £6.176m. Inflationary increases were built into the budget: 2% for pay and 2.5% non pay. Non pay inflation is higher than the forecast CPI inflation rates for 2020 to reflect the underlying commitments in Council contracts. Budget pressures of £6.5m including demographic and market pressures for children and adult services, unachieved savings in the prior year and further potential changes to funding as a result of government legislation and reform were included within the budget. All services uplifted their fees and charges annually in line with the Council's inflation assumptions, or for full cost recovery if this is higher, to allow for stability in real terms.

Since 2010, and up to the end of 2020 the Council has identified over £190m of savings. Identifying and implementing savings programmes is becoming ever more challenging. The 2020/21 budget savings totalled £16.609m across the directorates. This is over double the amount of savings that the Council were able to deliver in the prior year. The majority of the savings were fairly small-scale whilst wider transformational programmes continue to be developed and implemented. These programmes will take time to develop and may need to be re-modelled as a result of changes in demand and economic behaviour arising from the pandemic. The Council is, however, conscious that more comprehensive changes will be needed in the medium-term to maintain financial balance.

The impact of the pandemic has led to increased monitoring of costs and pressures, as well as monthly returns to Ministry of Housing Communities and Local Government (MHCLG). In the first few months of the year the Council was forecasting an overspend of £25.6m against the directorates' net general fund revenue budget, after the application of additional government funding to support the local authority's response to the Covid 19 pandemic. The Council realised that without further government support they would need to lay out larger scale spending cuts over the remainder of the year.

Over the past few years the Council has been prudent with its investments and had not sought to increase income generation through the purchase of Investment Properties. As a result, the Council did not incur the significant declines in rental income that some Councils suffered during the pandemic.

In October 2020 the Council presented a financial stabilisation paper which set out actions it needed to take to reduce the overspend and drawdown of reserves. Such actions included:

- Holding vacancies where possible and stronger controls on agency recruitment.
- Ensuring costs are fully recharged and income collected.
- Reviewing contractual commitments and pricing for the remainder of the year.
- Recognising where activity will be less than expected costs should also reduce accordingly.

It should be noted that these one off measures that were expected to reduce the overspend by some £5.4m were non recurrent and are not considered to be permanent budget reductions, but simply cost saving measures instigated during the year to manage down the overspend. These measures and additional government Covid-19 funding were sufficient to reduce the overspend over the course of the year.

Childrens' & Young Peoples directorate finances

Nationally local authority children's services have been faced with increased demand, in particular the number of young people in the care system and with the number of children who have an Education Health & Care plan. Over recent years both groups of children have increased significantly and the financial demand that follows from this has put an increasing strain on Childrens' services budgets. The situation in Lewisham has been different to the national picture, although the Council has traditionally had a higher number of children in care.

The initial forecast for 2020/21 suggested a directorate forecast overspend of £12.4m, of which costs relating to Child Social Care were £10m, £2m related to transport and £0.4m to other areas. Additional costs of Covid were estimated at the end of quarter 2 to be an additional £5.7m.

This projection prompted the following actions by the directorate, supported by finance officers, to mitigate the over spend position.

- Review of data management systems including Controcc to improve performance management information.
- Review and re-alignment of historic budget and coding structures including budget holder responsibility.
- Implementation of a placements tracker system to facilitate data capture and reconciliation with social care systems and the general ledger. This helped to ensure that the Council did not pay for placements after they had ceased.
- Fortnightly high cost placement panel review meetings provided a forum for review of high cost placements including review of partner funding.
- A joint programme with Housing provided suitable accommodation for young people who become homeless and care leavers. As investment is made in more appropriate accommodation this should lead to reductions in spend in future years.

- Working with young people and external providers to ensure that the fee structure for housing young people over the age of 18 includes maximisation of income from housing benefits.
- Improved data capture and timely submissions to the Home Office to maximise income from a grant that supports children and young people who are unaccompanied asylum seekers.
- Improving recruitment and retention process for social workers thereby reducing dependency on agency workers which are more expensive.

The directorates' final year end position was a net overspend of £4.1m for general fund services. This is after application and achievement of one-off in year measures of £1.7m, and £4.7m of the grant income the Council received from central government to fully offset Covid-19 costs incurred by the directorate. The overall overspend before applying the Covid-19 income was therefore £8.5m.

Throughout the year work has progressed to demonstrate a more sophisticated understanding of activity numbers and the key drivers of cost across the directorate, but this remains a work in progress.

Improvement recommendation – The Council should continue its work in enhancing the understanding of the costs of general fund placements and Education Dedicated Support Grant related Education Health & Care Plans and Special, Educational Needs and Disability costs across the Children and Young People Directorate. This work should lead to more accurate financial forecasting as well as assisting with developing interventions that benefit children to live more independently in the longer term.

Savings plans

An ambitious savings programme of £16.609m was factored into the budget. The Council monitors the delivery of planned savings, and mitigating actions where required. These are reported to the Executive Management Team and then to Cabinet on a quarterly basis. The Council has delivered approximately 60% of the 2020-21 savings programme. Brief explanations are provided within reports that explain the underlying reasons why individual programmes have not delivered. The explanations would benefit from more narrative to explain the underlying causes for the non delivery. The pressure caused by the pandemic is the main factor why savings plans had not been fully implemented.

Improvement Recommendation – Budget monitoring reports should clearly articulate the underlying causes for the under delivery of savings plans. Actions taken to address under delivery or proposed alternative plans should also be detailed within the report.

Directorate	Savings Program £000s	Outturn £000s	Variance £000s
Chief Executive	265	160	105
Children & Young People	2,375	1,025	1,350
Community Services	6,500	3,496	3,004
Corporate Resources	4,178	3,248	930
Housing, Regeneration & Public realm	3,291	1,791	1,500
Total	16,609	9,720	6,889

The savings target of £6.5m for the Community services directorate was not met. The majority of these related to Adult Social Care. New approaches to demand management have reduced the numbers of older service users, particularly smaller care packages. However, the impact of Covid-19 resulted in diversion of social work activity to dealing with hospital discharges. Challenges of carrying out face to face reviews also impacted on the ability to deliver the expected savings. In addition, there were delays in fully implementing the re-organisation of the social work function and with carrying out improvements to the main systems used by adult social care staff.

Improvement recommendation – Complete the re-organisation of social care work and focus on continuing to improve the systems used by Social Care staff.

In terms of 2021-22 savings schemes, at quarter 2, £19.1m (68.4%) of the 2021/22 savings or demand reductions have either been achieved, are on track to be achieved or are to be delivered in an alternative way. Where savings have not been achieved to date, services are working to find alternative savings or cost reductions to enable the overall savings target to be achieved. When alternative savings have been found to help manage the in year financial position, services have been asked to ensure that action is taken to ensure the sustainability of these savings in future financial years. In terms of Adult Social Care savings, 1,296 service users have been identified for package reviews during November 2021 to March 2022, if the anticipated package reductions due to service overprovision materialise then the current reported overspend will reduce by £0.9m, with a full year impact of £3.5m in 2022/23.

The 2021/22 Child and Young Peoples directorate savings requirement is £6.9m. The Council are forecasting that £6.7m will be delivered. The key area of financial focus within the directorate continues to be the costs linked to the placement of children in care and those leaving care.

The second largest financial risk area for the directorate relates to children with Special Educational Needs. Since September 2014, the new reforms that came into place have given a greater responsibility to Local Authorities with regards to the provision of Special Educational Needs and Disability. The reforms meant that Local Authorities responsibility for pupils with high needs extended to 0-25 (previously 5 to 19), clearer and tighter timescales for issuing Education Health Care Plans, and increased parental preference have also impacted on the financial challenge. Demand is placing ongoing pressure on the High Needs Block of the Dedicated Schools Grant, together with an ongoing pressure on the General Fund to resource non-school related costs such as the increase in assessments that the council is responsible for and an increase in the number of children requiring specialist transport. Assuming the increase in care plans continues at the present rate, it is very likely that that High Needs Block could have a cumulative deficit position of approximately £11m. Although the deficit is lower than many London Council's this still poses a risk and plans will need strengthening to mitigate future financial pressures.

Improvement Recommendation - The Council will need to continue to work with schools and benchmark the number of Special Educational Needs and Disability provisions in mainstream schools made available compared to neighbouring boroughs.

2021/22 budget

In March 2021, Full Council approved a balanced General Fund revenue budget for 2021/22 which incorporated the maximum permissible 1.99% Council Tax increase alongside an additional 3% for the Adult Social Care precept (expected to generate an extra £3.5m for Adult Social Care). The budget included the New Homes Bonus allocation of £2.652m a reduction on the £6.176m received in 2020/21 as a result of the loss of legacy payments. The business rates retention pooling arrangement ceased for 2021/22.

Inflationary increases were built into the budget: 2% for pay and 1.5% non pay. This was initially higher than the forecast CPI inflation rates for 2021 to reflect the underlying commitments in Council contracts. Budget pressures of £6.5m including demographic and market pressures including children and adult services were included within the budget. An additional saving of £1.5m is added from reduced contributions required to the London concessionary fares scheme as a result of reduced demand through 2020/21. In addition, the £2.339m of additional social care grant (on top of the £8.434m received in 2020/21 and continuing for 2021/22) issued to address current pressures. These actions provided £10.339m to be allocated to selected budget pressure and growth areas that will present as challenges in future budgets if not corrected.

The Council has identified £18m of cuts necessary to set a balanced budget and reduce the £10m of persistent service overspending witnessed in some areas over recent years. This is on top of the £7m of cuts agreed for 2020/21 the delivery of which has been pushed back to 2021/22 due to the need to address covid priorities. The delivery of these cuts will need to be closely monitored, any shortfall will have to be covered, in the short term pending services offering alternative proposals, through the use of reserves.

The Council has also made a general allowance for risk and uncertainty where there are some pressures to be funded, which can be quantified within a reasonable range. These fully commit the available £6.5m allocation and additional resources received for 2021/22. Including the use of some funding to invest in change and support the transformation work necessary to redesign services and improve the Council's culture to further collaborative working.

The budget maintained the unearmarked General Fund working balance at £20.0 million. The Council holds Specific Earmarked Reserves for various future planned spending and to undertake one-off projects or work that does not happen every year. Examples include the transformation fund, redundancy provisions, elections, replacement of obsolete equipment and contractual claims that may become due (e.g. dilapidations that may become payable on properties we lease from the private sector to provide housing).

Medium Medium-term financial planning

The financial outlook for the Council and the public sector as a whole remains extremely challenging, exacerbated by the Covid-19 pandemic. The Council's Medium Term Financial Strategy (MTFS) assumes that the Council's finances will remain under continued severe financial strain in the coming years. Faced with higher costs, more demands, and lower anticipated income the Council needs to prepare to make further cuts to services in order to be able to continue to set a balanced budget for future years in line with its statutory obligation.

The MTFS is updated periodically and at least on an annual basis in full. The most recent iteration was developed during 2020/21 and finalised/approved by members in July 2021. The MTFS base case assumption produce an assumed budget gap of £26m over the four year period of 2022/23 to 2025/26, with a profile of £2m, £9m, £7m and £8m in each year. Since this date the 2022/23 gap has been mitigated.

The MTFS also includes analysis of impact of an optimistic and pessimistic assumptions which, given the number of variables, moves the four year budget gap plus or minus £10m from the base case of £26m. Executive Management Team have reviewed the assumptions used and will continue to use a collaborative and themed approach to developing future cuts proposals to close the future gaps.

The Council is conscious that savings need to be achieved to minimise any potential use of reserves and that developing scenario planning to demonstrate the impact on savings and the reserves position will need further work.

Improvement Recommendation - Management have undertaken some sensitivity analysis when setting the 2021/22 budget. Management acknowledges that sensitivity analysis and scenario planning in terms of 'worst case' and 'stress testing' is an area which will need additional work going forward, to model the financial impact of Covid in the longer-term and ensure that plans are in place to make appropriate operational decisions to maintain financial sustainability.

The Council assumes that it will be able to raise Council Tax by around 2% each year, and that the Council Tax base will increase by around 0.5% each year for the four year budget period, based on the planning service's housing trajectory. In total over the period this will add approximately £13m to the Council Tax income base over the four year period to 2025/26, but this remains below the London target for housing supply in the borough. The MTFS also acknowledges the impact on collection rates from Covid-19 which dropped significantly. For each year from 2022/23 onwards the MTFS assumes life time collection rates will recover to pre pandemic levels.

The other main assumptions in the model are as follows:

- Pay awards of 2% per annum.
- Inflation of 3% per annum.
- Fees and charges to increase by inflation of 3% per annum.
- Demand pressures such as population growth, ageing population and government policy and changes in regulations. To enable the Council to recognise these pressures and risks in a flexible way as they come to bear, the MTFS includes an annual provision corporately for growth from demand and other unavoidable pressures in the budget. The model assumes this will continue for future years, but that there is the slow reduction in this funding from the current level of £6.5m assumed for 2022/23 down to £5m in 2025/26.

The Council recognise that any of the pressures not addressed in service spending through 2021/22 will add to the cuts target for 2022/23. In addition, the MTFS also assumes the £7m of delayed savings from 2020/21, plus the £28m of cuts taken for 2021/22 will be delivered, and that there are no overspends. If these are not delivered then the budget gap increases.

Overall, the Council is conscious that additional efficiencies and other sources of funding will need to be identified to bridge funding gaps, and does not rely on unrealistic assumptions around either government grants or local taxation. The Council's officers acknowledge that small scale savings will be insufficient to bridge the budget gap over the course of the MTFS.

The Council is continuing to work to identify cuts in a manner that will support the Council's recovery from Covid and transition to delivering future services within the available financial resources on a secure and sustainable basis. These individual proposals will need to include a thorough financial analysis and go through the necessary public consultations required. The future year cuts are being reviewed in accordance with the Covid recovery priorities through the following Future Lewisham themes.

- Productivity – Initiatives to improve the availability, flexibility and security of technology infrastructure to assist with streamlining decision making, governance and policy frameworks, and automate more transactional work to make processes more efficient.
- Joint working -. This theme explores how the Council will work differently with residents, communities, voluntary sector, anchor institutions and strategic partners. A significant part of this theme is working closer with health partners.
- Service reconfiguration – This theme explores how different services serving the same customers might better come together to do this. In addition to external customers this theme will also look at the relationships and role of corporate functions supporting frontline delivery.
- Asset realisation - With changing ways of working and different service delivery mechanisms the Council may not require the same asset base. From this work there could be running cost savings and there may be some one-off receipts that could be used to support longer term transformation plans which take longer to realise.
- Commercial approach – This them focusses on the Council increasing the rigour and improving contract management and supplier relationships as well as achieving greater social value alongside financial return from engaging in such activities.. The Council will also review how sales, fees and charges are set relative to benchmarks and assess market potential to ensure rates are set at the optimum level in line with the Council's priorities.
- Better demand management – A focus on preventative work that can lead to better outcomes for less cost in the long run compared to the need for crisis intervention. Impacts particularly on the larger services, in particular adult and children social care but also environment services when considering levels of waste.

There is an acknowledgement that, individual schemes in isolation will not deliver all required cost reductions to achieve balanced budgets on an ongoing basis. A broader and more cross-cutting package of measures has therefore been designed as set out above, with strategic priorities and outcomes for residents aligned to the Council Plan.

The MTFS incorporates an acknowledgement of the uncertainties which lie ahead and that these could substantially change the financial outcomes which are feasible for the Council. For example:

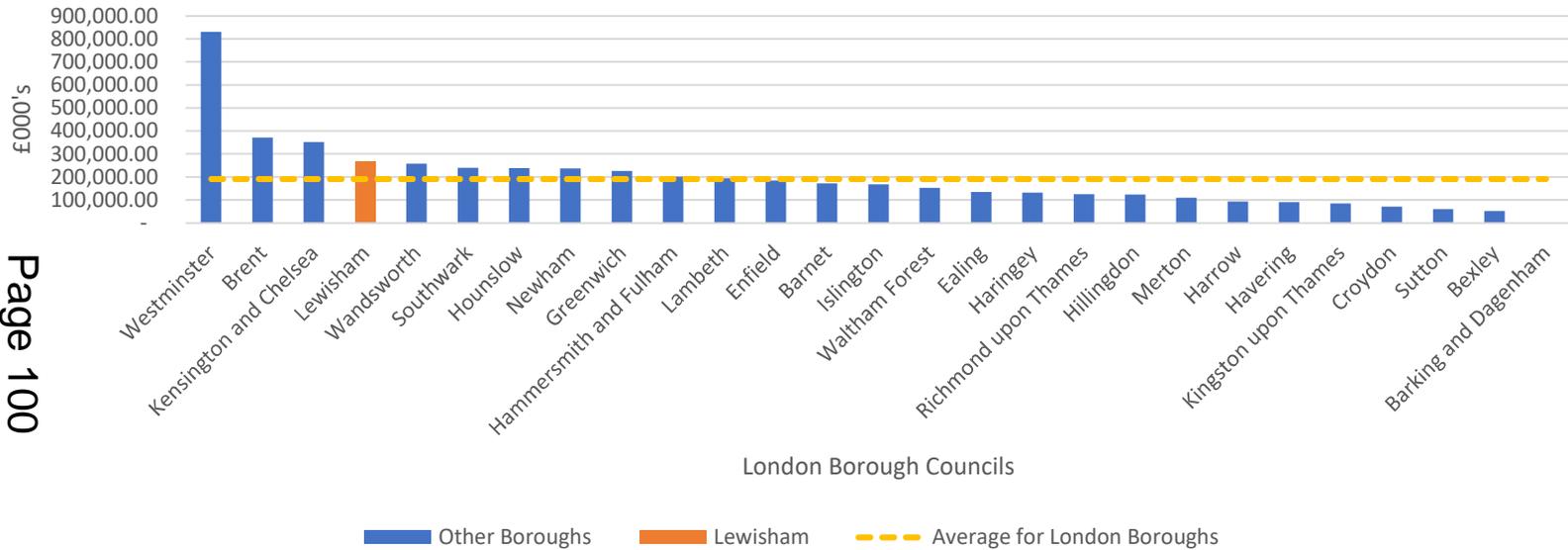
- The impact of the pandemic has made it increasingly more challenging to separate out the underlying 'business as usual' pressures from those Covid related. Covid may be masking underlying service position in terms of pressures and risk, providing less time and resource to properly plan for and manage these. There remain uncertainties over what the 'new normal' following the Covid-19 pandemic will look like, in particular with respect to which of the Council's income streams will fully recover and when, and which will be impacted in the longer-term as they may represent ongoing changes to economic behaviour.
- Uncertainties faced over longer-term government funding, both to support Covid-19 and through the much-delayed 'Fair Funding' review, which is likely to draw funding away from London.
- The scale of the cuts taken in 2021/22, coupled with the persistent overspend still remaining, increases the risk that the current relatively modest budget gaps in the early years could increase if the current budget cannot be delivered in full. A number of the cuts were ambitious and required transformation and resources to deliver, much of which has been diverted into our Council's current response to the pandemic.
- Brexit and impact on the economy, wages, prices, property values, cost of compliance etc.
- Uncertain economic conditions including inflation and interest rates which are continuing to rise and will be impacted by events in Ukraine.
- Demand-led pressures including housing, homelessness, social care and children's services and how these may be affected by Covid and other issues outlined above.

The Council is of the view that, at present, it has sufficient useable reserves and contingencies to mitigate these risks in the short-term, and sufficient capacity to model more accurately once circumstances emerge and clarify to ensure that pressures are accurately built in to future forecasts.

Reserves

As demonstrated by the graph below, as at 31 March 2021, on the surface, the Council’s useable reserves were in a comparatively strong position across local authorities in London in relative terms:

Total general fund and earmarked general fund reserves as at 31 March (£'000s)

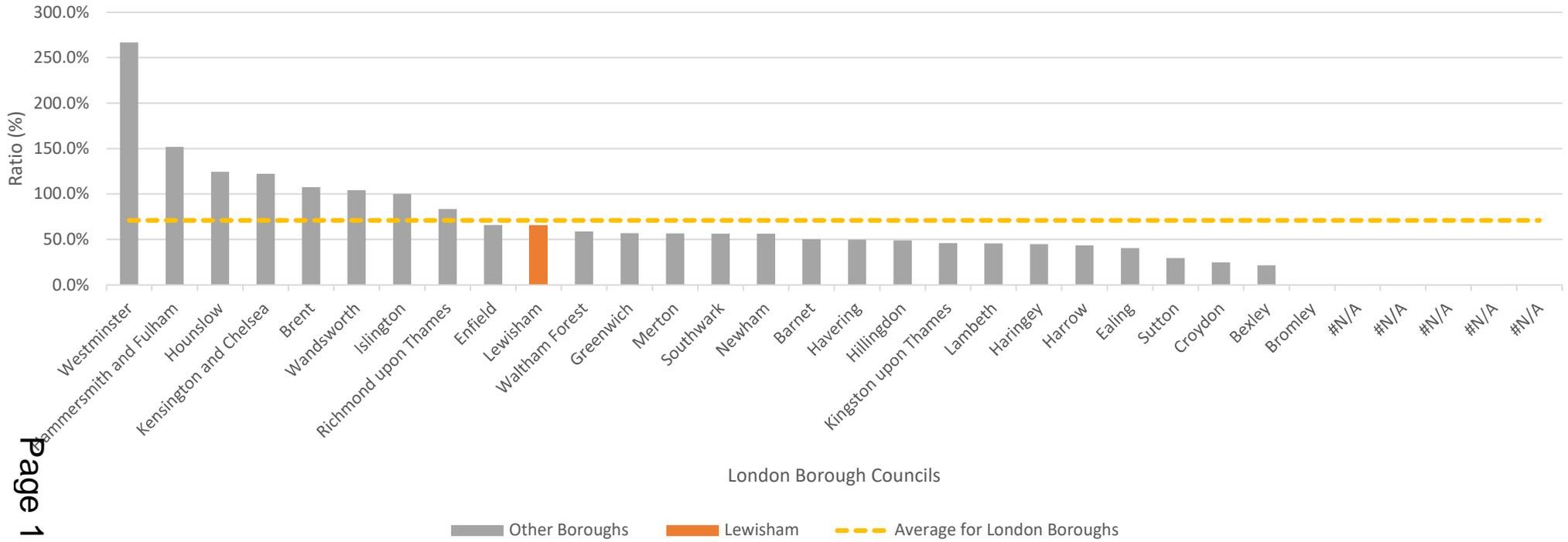


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The graph above shows the Council is in the top quartile in terms of general fund and earmarked reserves. However, a significant proportion of the Council’s reserves are earmarked for specific purposes over the medium-term, having been built up initially for these specific reasons. The Council has plans in place to utilise a significant proportion of its existent reserves over the medium term in accordance with the purposes for which the reserves were designed and funds were originally set aside. For instance, the specific revenue earmarked reserve is used to fund projects which focuses on service redesign and transformation, with the aim to give rise to significant recurrent efficiencies as invest to save initiatives. The PFI and Building Schools for the Future reserves enable services to make revenue contributions towards their committed PFI and Building Schools for the Future schemes in future years. In addition the Council has a £20.2m reserve which consists of unused grant from central government. The grant is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. Use of the reserve is not ring-fenced. The Council also has £16m of Covid grants to cover the future costs arising from the pandemic. The graph on the following page also shows that once the size of the Council’s expenditure is taken into account the relative size of the reserves are below the average for London Boroughs.

At quarter 2 of 2021/22, the overall forecast is for a net overspend of £8.5m. At that time £19.1m (68.4%), of the 2021/22 savings or demand reduction have either been achieved, are on track to be achieved or are to be delivered in an alternative way. There is no planned use of reserves beyond the corporate contingency during the current year, which is set aside for this purpose. However, if the forecast overspend is not resolved during the course of the year through savings or efficiencies, this will necessitate an unplanned appropriation from reserves. Current forecasts are not indicative that this could be significant. However if this extends over a longer period, the impact would adversely impact on the Council’s ability to continue with service provision to deliver outcomes as is currently the case.

General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



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The Graph above shows that once the size of the Council is taken into account the level of reserves is below the London average.

Improvement Recommendation - The Council is developing longer term solutions to meet the medium term financial challenge, but would benefit from building up a longer term reserves strategy. The strategy should set out principles on the levels of reserves demonstrating how reserves are aligned with priorities and be agile enough to allow the Council to respond appropriately to changes in economic conditions.

Capital

The Council's revenue budget is published within the same document as the capital programme each year. This demonstrates the alignment and integration of the two. The Council's capital strategy sets out the overall Capital governance processes including emphasising the Regeneration and Capital Programme Delivery Board which has responsibility and accountability for the delivery of all regeneration and capital projects and is also responsible for ensuring that all projects and programmes are adequately and appropriately resourced. The key objectives of the Board are to ensure that a consistent and corporate approach is taken to the development and authorisation of all project and programme initiation documents and the associated financing and funding of projects and programmes. It meets every two months and ensures that a corporate approach is taken to the monitoring, management and delivery of all projects and programmes. It reports through to the Regeneration and Capital Programme Board which is chaired by the Executive Director for Housing, Regeneration & Environment.

The Council is currently undertaking a review of the governance structure a view to strengthening the links between the boards so that the Regeneration and Capital Programme Delivery Board has a clearer oversight of the other boards feeding into it.

Improvement Recommendation - Revisions to the governance structure are required to ensure:

- A more comprehensive oversight over the capital programme
- There is a clear alignment of capital resources with corporate priorities
- A robust approach to programme management
- Formal oversight of re-profiling change requests

The key risks to the capital strategy are:

- slippage in the face of rising costs adds to the financial pressure on the available resources;
- future rents or running costs of the assets within their useful life do not match the business case assumptions leading to a funding gap, and
- the ability to create the investment capacity to help deliver the Council strategic priorities, such as the commitment to zero-carbon by 2030.

Capital programme budget and spend information is also reported to Mayor & Cabinet and the Public Accounts Committee on a quarterly basis as part of the Financial Forecasts reports.

Planned capital investment in 2020/21 included enhancement and expansion of facilities for provision of special education needs which will increase the places to support children. Highways maintenance includes approximately 30 roads (10km of carriageways) planned to be resurfaced plus essential footway replacement works of approximately 25 roads. There is a further £8.1m available to finance the replacement of vehicles in the Council's fleet in order to meet the approaching Low Emissions Zone (LEZ) changes. £9m that has been set aside for Edward Street will provide 34 new high-quality temporary accommodation homes for local families in housing need. The majority of capital finance (£97.5m in 2020-21) is allocated to the building for Lewisham Programme.

In January 2020, the Mayor and Cabinet approved recommendations to advance and expand the Council's housebuilding programme to meet the Council's corporate objectives. Within the HRA to date, 199 social homes have been completed since 2018 with a further 779 forecast to be complete or under construction by the end of March 2022. There are plans for a further 344 new homes across a mix of tenures as the programme continues, a number of acquisitions are also in the pipeline.

There is a further £37.5m allocated to Lewisham Homes for ensuring council owned stock under their management is brought up to and maintained to a decent homes level, covering both internal and external works. Lewisham Homes is leading on the delivery of the programme (under delegated powers) in consultation and agreement with the Council. A full stock condition survey is being utilised to identify and prioritise the capital works required. There is a significant proposed borrowing increase of £302.5m over the capital program to deliver the HRA plans. This is primarily to support the Building for Lewisham programme and will likely extend the HRA to its sustainable financial borrowing and cash flow limits.

The external borrowing requirement is considered to be affordable and consistent with the Council's Treasury Management Strategy, in particular given that interest rates remain low (although this could change in the short-term given the current economic climate and rising inflation). The General Fund resources available to finance capital projects decrease over the term of the Programme. This reflects the Council's prudent approach to long-term planning, with grants for later years not taken into account until they have been confirmed, and capital receipts only being taken into account when they have been received or are reasonably certain of being received. The Council prudently avoids entering into long-term expenditure commitments until there is more certainty as to how they can be financed.

The overall spend on the Capital Programme as at the end of March 2021 was £120.1m, which is 70% of the revised 2020/21 budget of £171.6m. The majority of the schemes have rolled forward into 2021/22. Slippage in the Council's capital programme has been a recurrent theme over the years. The most significant impact has been in relation to the Covid-19 pandemic which has also been compounded by the impacts of Brexit. Construction works were paused at stages through the lockdowns of 2020 and 2021. Construction activity re-started but at a reduced capacity due to social distancing requirements. There have also been widespread labour and material shortages which have continued to impact on the pace of delivery and driven up costs, as evidenced by rising inflation and more recently interest rates as well.

Capital slippage has recurred in 2021/22 to date. The revised capital programme for the current year 2021/22 is £182.2m, of which £66.4m relating to General Fund schemes and £115.8m to Housing Revenue Account schemes. Delivery against the 2021/22 plan in full remains challenging and the Council continues to re-profile the programme to reflect more realistic timings to assist with monitoring going forward. An exercise to review the budget profile for general fund projects was completed in December 2021 which led to a number of changes on the budget split over the three year programme period.

With the growth in scale and complexity of the programme since 2019, principally through the HRA to reflect the extended stock condition and safety works and new housing supply in Building for Lewisham, a more regular and dynamic reprofiling will need to be undertaken. This is to ensure effective delivery and financial monitoring to respond to the scale and complexity of the programme and deal with challenges in delays and increased costs caused by the pandemic. This emphasises the need to continually re-appraise the allocation of limited capital resources to meet corporate priorities. In line with other Councils capital planning and budgets have not historically received the same level of scrutiny as revenue, and there is more work to be completed in relation to instilling a sense of accountability for effective capital budget management. In particular the capital reporting would be enhanced by explanations for slippage on a scheme by scheme basis together with an analysis any re-profiling of budgets across years that are impacted by the slippage.

Improvement Recommendation – Given the uncertainty of the pandemic and current economic environment a routine re-profiling of the capital programme would be required. This needs to be complemented by detailed reporting on a scheme by scheme basis with detailed explanations explaining slippage that will assist with holding delivery managers to account for meeting project timescales.

Treasury Management

The Council's Treasury Management Strategy is approved alongside the annual revenue budget and capital programme each year. The Council uses Link Group, Treasury Solutions as its external treasury management advisor. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and ensures that undue reliance is not placed upon our external service providers.

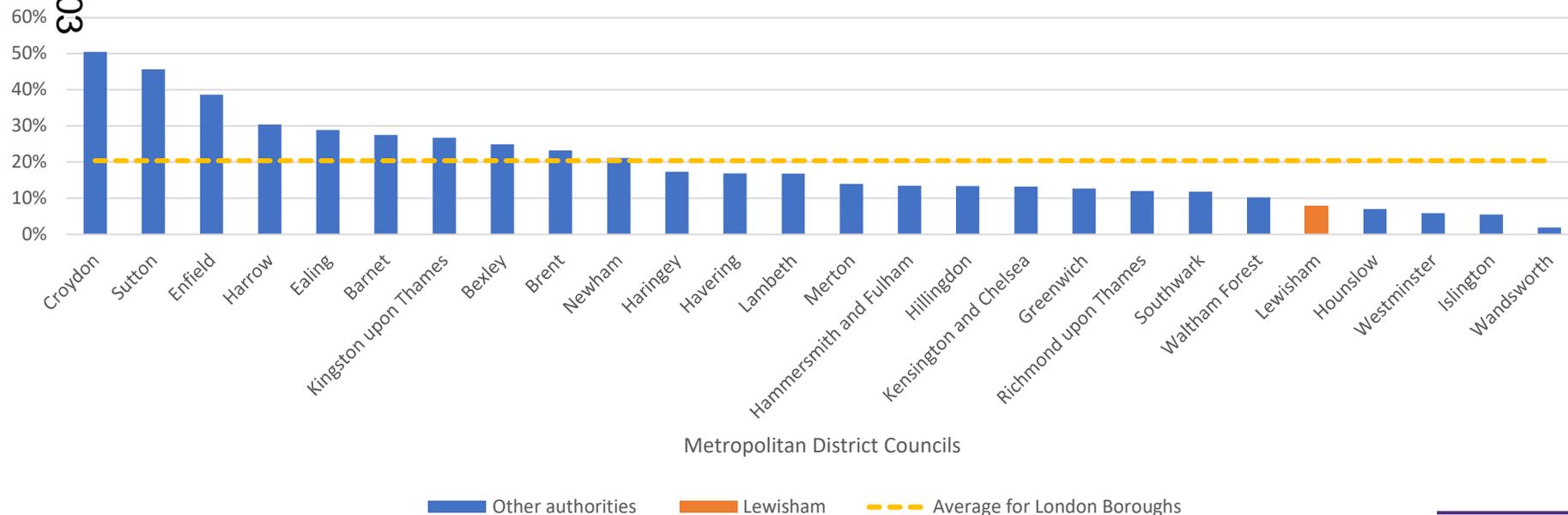
All decisions are undertaken with regards to all available information including, but not solely, our treasury advisors. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

In general, the Council's approach is relatively risk-averse. The Council's external debt as at 31 March 2021, gross borrowing plus long term liabilities, is £449m. Included within the £449m balance are £120m of LOBO loans at nominal value as at 31 March 2021 of which £47.5m will be in their call period in 2021/22. In the event that the lender exercises the option to change the rate or terms of the loans within their call period, the Council will need consider the terms being provided and also the option of repayment of the loan without penalty. The Council will continue to explore rescheduling opportunities as appropriate in respect of the financing of its PFIs and external loans.

The Council is currently maintaining an under-borrowed position in that the Capital Financing requirement is not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as an alternative funding measure. In the current economic climate, this strategy is considered prudent while investment returns are low and counterparty risk remains an issue to be considered. There is a risk of a much sharper rise in long and short term interest rates arising from an acceleration in inflation and interest rate rises in UK so the portfolio position will need to continued to be reviewed.

As shown below the Council's borrowing as a proportion of long term assets remains well below the London Average.

Long-term borrowing as a proportion of Long-term assets (%)



Pension Fund

The Council, as administering authority, runs the Pension Fund on behalf of its members, with the overriding objective of ensuring its assets are sufficient to pay the benefits owing to members as and when they become due.

The Council has delegated decision making powers in respect of the Fund to its Pensions and Investment Committee. The Committee meets four times per year, and receives and considers advice from the Council Executive Director of Resources, as well as from the Fund's appointed actuary, custodian, investment advisers and Fund Managers. The Council also operates a Local Pensions Board, which assists with ensuring regulatory requirements are complied with and ensuring the effective and efficient governance of the Fund.

The Fund operates within a framework of strategies, aligned with investment beliefs, which meet the requirements of the Regulations and clearly set out a route to achieve full funding of the Fund's obligations within a set timeframe. These take the form of the Funding Strategy Statement and Investment Strategy Statement, and a Statement of Investment Beliefs formed by the Pensions Investment Committee. The Pensions Investment Committee agreed a revised investment strategy which moved from the carbon foot-printing of the Fund's equity holdings, to agreeing a separate set of climate objectives. In doing so, Environmental, Social Governance issues will remain a key consideration for the Fund going forward.

The Fund maintains a Risk Management Policy which sets out the risk philosophy for the management of the Fund, the Fund's attitudes to risk, and how risk management is implemented and monitored. The risk register is incorporated within the annual business plan which is approved by the Pensions and Investment Committee and reviewed periodically to ensure that risks are updated and the relevant mitigations are put in place to manage them. The Local Pension Board is also expected to consider risk at each meeting, and assists the authority in ensuring it adequately mitigates against risk and that the direction of travel shows movement towards target scores. Senior officers and those named as responsible officers on the register will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur.

The results of the most recent triennial valuation, based on the Fund's position as at 31 March 2019, showed an improved funding level of 90% of its liabilities, compared to a funding level of 78% as at the 2016 valuation. The resulting deficit as at the 2019 valuation was £154m (£287m in 2016).

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

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Monitoring and assessing risk

The Council has arrangements in place to ensure its risks are identified, categorised, managed, and reviewed quarterly by the Executive Management Team (EMT). Risks are grouped by the likelihood of occurrence and impact. All identified key risks are linked into the corporate priorities and recorded in the strategic register to enable management to monitor and manage risks.

Risks identified at service level are built into the directorate risk register (DRR) and into strategic risk register (SRR), which are updated and monitored quarterly by EMT and reviewed by the Audit Panel. An annual Audit Panel report is submitted to the Mayor & Cabinet to provide assurance that risks are considered and adequately documented. The report also demonstrates that the Council's key risks have been mapped against its objectives and that audit assurance is targeted appropriately.

We noted that the approach to risk management is in the process of been streamlined which will ensure more consistency and robust centralised risk management.

Improvement Recommendation – The Council should streamline the approach to risk management to ensure it is dynamic and there more consistency and robust centralised risk management.

The Internal Audit service is delivered by an in-house team of auditors, complimented by technical audits from PWC. Due to the pandemic, there was reduced internal audit plan in 2020/21. The plan covered 484 days of corporate audit, including 75 days of bought in service to cover specialist review and 20 days for follow ups. The planning approach was based on achieving coverage of the documented risks over a reasonable period. We noted a satisfactory assurance rating on the effectiveness and adequacy of the Council's corporate system of internal control for the year ended 31 March 2021.

The Council has whistle blowing and counter fraud and corruption policies in place, which is published on its website. Complaints are handled by the Monitoring Officer and reviewed annually by the standards committee.

The Council has a dedicated A-FACT team, who are responsible for conducting and managing fraud investigations that arises internally and externally in relation to the council services.

There is ongoing work with regards to post payment assurance due to the Covid-19 grant that was disbursed on behalf of the government by the Council.

Overall, we found no evidence of significant weaknesses in the Council's arrangements to manage risk and operate effective internal control.



Budgetary Setting Process

The budget process starts with the preparation of the Medium-Term Financial Strategy (MTFS) and the Treasury Management Strategy (TMS), which is reviewed and challenged by the Executive Management Team and scrutiny committee before final approval by Mayor & Cabinet office and gets incorporated into the draft budget.

We noted that, the Senior leadership team (SLT) and Executive Management team (EMT) run all-member challenge meetings, with an executive director leading each of the themes which generate the required savings to balance the budget. These themes are linked with other internal strategies and plans to the sustainable medium term financial strategy. Outcomes are presented to various committees for scrutiny and approval.

Budget assumptions, risks, and consideration of the outcome of budget consultation (for example, public, tenants and business) are all reflected in the draft budget and are subjected to robust scrutiny by SLT, EMT, Overview and scrutiny and Cabinet members before submission to full council for approval. The capital programme is considered early in the process to ensure that any revenue implications of capital decisions are considered in building the revenue budget.

The Treasury Management Strategy (TMS) looks at ways of balancing the interest costs debt and the investment income in the delivery of the budget. Alternative investments options and opportunities are considered to take on debt restructuring to reduce balance sheet risk and fund the capital plans set out in the budget.

Budgets are set over medium term with the aim of focusing on customers and collaborative working to redesign services and deliver cuts, whilst reducing the impacts on those who are reliant on the Council's services. The Council set aside allowances for inflation within the budget and have pessimistic view on the allocation of grant funding. The Council also hold some corporate provisions as working balances each year in addition to both general and earmarked reserves.

Budgetary control

The Council operates on the principle of devolved responsibility, where budget holders within each directorates are requested to endorse their cash limits at the start of the financial year and provide confirmation of their ability to deliver their services within the agreed allocated resources. Budgets are subject to formal sign off with the aim of instilling the culture of budget ownership and commercialisation. This can be an effective means of building budget holder ownership, engagement and accountability for delivering their budgets.

The progress made on implementing budgets and savings to plan are monitored throughout the year by way of regular engagement with the budget holders. A monthly budget monitoring report is provided to all Directors and Executive team members. A quarterly report goes to the scrutiny committee and Mayor & Cabinet for review. This provides a good balance between enabling operational management to act quickly on variances and keeping members informed, without creating disproportionate administrative burden for the finance team.

The implementation of efficiency savings in the budget are monitored and issues arising are dealt with. The finance budget monitoring tool is accessible at any time to budget holders to enable monitoring of budget and encourage the culture of budget responsibilities.

For the capital programme, officers review required funding quarterly and updated projections are reported regularly to the Mayor & Cabinet, this level of management is appropriate to manage the large projects currently underway, such as the building for Lewisham programme. In our view, the arrangements in place to manage and review level of corporate balances and reserves are adequate to ensure that the delivery of the budget is effectively managed.

We did note that the Council has had to manage significant pressures in areas of the budget such as Children' and Young People directorate. For example, in 202/21 reported a net overspend of £4.1m for general fund services. That was managed using other contingencies within the budget.

Overall, we found no evidence of significant weaknesses in the Council's arrangements for budgetary control, but recommend focus be given to the budget pressure in the areas of placement and staffing in the Children's social care as this may impact achieving a balance budget.

Leadership and committee effectiveness/decision making

The Committee structure in the Council, includes Mayor & Cabinet, Overview & Scrutiny, Licensing, Planning and Local Assembly (LA) with various governance responsibilities. Programs are run in the 18 wards which makes the LA to ensure local priorities are heard and tracked. Attached Task and Finish groups are created where required to review key specific issues in more detail.

Decision making in the Council is governed by constitution. Key decisions are reserved to the Executive, full council or senior officers which is set in the scheme of delegation and approved in public at the council's AGM at the beginning of each financial year.

The SLT and partner agencies have worked well together to deliver an effective response to mitigate the impact of the pandemic in Lewisham. There has also been an increased management oversight and planning within the Council.

We note that there has been a significant degree of change in the Statutory role of Monitoring Officer (MO) in 2020/21 and subsequently, however, we are satisfied that the role has been adequately covered throughout this period. The longstanding MO retired in the summer of 2020 following a management restructure. This was followed by the appointment of a new MO, who left the Council in July 2021 and the post was then covered by an interim appointment until November 2021. Interim cover of the role was then provided by the current Director of Law, Governance and Elections until the end of February 2022 at which point their role was made permanent as of 1st of March 2022.

We have found no evidence of significant weaknesses in the council's arrangement for leadership, committee effectiveness and decision making.

Monitoring and ensuring appropriate standards

The Annual Governance Statement forms part of the Council's financial statement and is reviewed by the Audit Panel. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks. The full council is responsible for any agreement, amendment and oversight of the constitution. There has been no significant departure from key regulatory and statutory requirements or professional standards. We note a number of governance priorities listed in the AGS relating to strengthening or developing new controls and procedures and we support the Council in its efforts to progress these.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified some improvement recommendations.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance Monitoring

The role of the Assistant Chief Executive with responsibility for Corporate performance, was created in 2019/20 with the intention to improve the structural reporting lines and ways of operations within the Council. The role includes responsibility for overseeing the corporate insight and transformation team, policy team, communications, HR organisation development, and performance reporting. The role sits alongside the Director of Law, governance, and elections. Following disruption to progress during the pandemic, process improvements are now underway.

The corporate insight and transformation team are developing the use of data from different systems from various directorates into an information resource. The aim is to provide a greater insight for strategic decisions as well as providing assurance from a safety perspective especially covering the Council's core business and spend on children's and adult social care.

Key performance indicators for services are agreed annually with various directorates to ensure clear understanding of what the service is trying to achieve, its core functions, responsibilities, and performance review.

Performance monitoring reports are provided by the team to the directors of each directorate for analysis, review, and monitoring. The EMT (Executive Management Team) are provided with a high-level key performance indicators quarterly report.

There have been delays in rolling out the new organisational development strategy which aims to set out how the Council operate in terms of performance monitoring and performance management due to Covid-19 and the on-going team's restructure.

Improvement Recommendation - The council continue to develop and support the creation of a centralised intelligence hub, which will ensure clarity around data and insight for a more strategic reporting approach.

Currently, the quarterly performance report is presented to EMT, but does not get formally presented to any Member Committees. In addition, financial, HR and performance data are presented in separate reports to senior management and members.

Improvement Recommendation - A quarterly performance monitoring report should be provided to members to monitor and review. The Council should also consider integrated reporting using a balanced scorecard approach, that will better enable management and members to understand the interrelationship between different sources of information.

Overall, there were no significant weakness identified in our review in the performance monitoring arrangement of the Council. However, we have raised a few improvement recommendations.

Benchmarking

Benchmarking within the Council is used independently within the services, but has not generally been co-ordinated or used to challenge services at a corporate level.

Improvement Recommendation - The Council should take a corporate approach to identify benchmarking good practice and co-ordinate its use within the services to challenge performance.

Strategic Partnerships

The Covid-19 panic, brought about partnership working across London and all the sub regions of London. The benefits of sharing information, working and learning from each other has helped the council to look beyond focusing on its problems and learning from other organisations. The Covid-19 forum in London is a good example of that in practice of putting the right people in contact with each other at the right levels. It translated down into sharing insights and expertise to help rectify challenging local problems and helped organisations to share learning.

The Council have robust arrangements in place for managing and deriving benefit from strategic partnerships, notably in healthcare, education and housing. Its various partners includes the CCG with direct appointments between the Council and the CCG and Lewisham and Greenwich NHS Trust working in partnership to improve the health and well being of the local population.

The Council also works with commercial partners, including its two wholly owned arm's length bodies Lewisham Homes Limited and Catford Regeneration Partnership Limited. In both cases, the Council has observers on the board and access to board papers, and the day-to-day commercial and performance management is undertaken within the Housing and Regeneration and Public Realm directorate. Members can review the performance of these entities via the submission of the annual business plan and annual reports to Mayor and Cabinet and Full Council.

- Lewisham Homes Limited (LH) manages the social housing stock and undertakes large housebuilding programmes. The governance framework is well integrated into council processes and includes regular review of KPIs, risk register, forward plans and governance structure. We note that the 2020/21 Annual Report details that financial performance remains in line with expectations, but that there have been a few ongoing issues with service quality, including complaints and tenant satisfaction.
- Catford Regeneration Partnership Limited (CRPL) manages and co-ordinates commercial investments providing income streams to the Council. The organisation is closely managed by the Council, including attendance at the Board of directors meeting every 2 months. We note that the company has been funded by significant Council loans and has fallen behind in its commercial performance, including meeting income generation targets and maintaining high levels of rental arrears, pending delays to the completion of capital works required to drive income generation. The issues are closely linked to difficulties caused by the pandemic over the past two years.

We note that these issues have been closely monitored by the Council and the issues have been discussed with members and actions agreed in various public forums, including Housing Scrutiny Committee and Cabinet. In this way the financial and reputational risks are being managed.

Improvement Recommendation - For Lewisham Homes Limited and Catford Regeneration Partnership Limited, a report on progress against action plans and mitigation strategies should be presented to Mayor and Cabinet on a more regular basis.

Overall, the Council operates strong partnership arrangements demonstrated by the coordinate response to the pandemic including establishing testing and vaccination arrangements.

Procurement

Contract procedures are set out in the Constitution which provides the overarching framework of governance for procurement practices. The Council have appropriate procurement processes in place. The Council have an intranet site for procurement which includes documents such as the procurement handbook. This details what is in the Constitution, information on following contract procedure rules and templates. Training on procurement is held quarterly and can be booked by staff through the intranet. The Council also have an e-tendering portal called Proactis. The aim is to outline a sustainable procurement that uses commercial spend to deliver environmental, health and social benefits within the community.

The single corporate Contract Management framework was implemented in July 2021, which provides quarterly contract performance dashboard for all contracts over a certain threshold, to the five directorates (DMT). The metrics are reported on a RAG (Red/amber/green) status for ease of collation and analysis, which allows transparency and consistency of reporting. Services retain responsibility for the day-to-day management of contracts and ensures that any metrics which are judged amber or red are taken up with the contractor and that appropriate resolutions are agreed and implemented. The satisfactory resolution of these could be evidenced corporately via a change/improvement in the RAG status at the next iteration of the dashboard, or locally via DMT monitoring and reporting. Joint ventures have governance and reporting arrangements specific to the nature of the Joint Venture and therefore there is a variety of reporting routes through to EMT and Mayor and Cabinet (or other committees as relevant).

Internal Audit provided a satisfactory assurance level for the tendering and procurement of contracts in 2020/21, which reflects a robust system. The Council have put controls in place to ensure fair procurement process are undertaken and the use of options appraisals by the service managers in its decision to outsource or insource for services. Different delivery models are used to consider risk and rewards when undertaking significant commercial ventures, outsourcing, shared service arrangements or partnerships. The Council has a commitment within the current corporate strategy to ascertain its suitability as the most appropriate service provider, and as such there has not been significant new services put out to contract, except for the re-tendering of existing services where these were not brought back in house.

The Council has appointed Newton to undertake and implement the findings from a holistic review of adult social care (ASC), and this is currently being implemented, to ensure a detailed and clear benefit modelling which enables performance, cost and quality to be tracked against profiled and expected outcomes, which does not involve taking on new services but a transformation of current service delivery. Appropriate expert advice is always obtained when it involves complex or unusual activities. Overall, there is no significant weakness in the arrangement of procurement.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Page 111

The impact of COVID-19 has presented new risks to the Council and has cut across all service areas. From the outset, the Council agreed a broad package of support for businesses and residents and established the 'Lewisham backs Business' Task Force to aid in with response to the new risks associated with the pandemic.

The Council has maintained a good oversight of its Covid-19 related costs and income losses. These were identified early on and subject to detailed monitoring and scrutiny. The Council's performance and spend is also monitored through regular Directorate management reports and quarterly by the Executive Management Team. The performance of each Directorate is reviewed annually with a clear focus on the Council's response to Covid-19. Detailed financial monitoring reports are also maintained and reviewed quarterly by Mayor and Cabinet.

A focus of the Council's Procurement Strategy is establishing a route to recovery from Covid-19 and the need to be responsive and innovative in their approach to procurements. This agility has been important over the course of the pandemic as the Council has needed to adapt its processes and approach. The Council want to build on data and insights to help prioritise its resources and align its partnerships.

The impact of Covid-19 has caused delays in the Council's ability to implement savings cuts. £16.6 of agreed cuts were planned to be delivered, but some had to be shifted into the budget for 2021/22.

£56.6m of additional Government grant income has been provided to the Council with £21.1m of this specifically aimed at Covid-19 related activity. £40.8m of this has been spent in 2020/21, with the balance being carried forward to help alleviate the ongoing pressures of COVID-19.

The Council also received £47m in Business Support Grant funding for small businesses. By July 2020, they had distributed over £38.4m worth of this funding and continue to reach out to those remaining businesses who may be eligible.

Despite this buffer, the Council expects these financial pressures to be ongoing. It closely assesses the appropriateness of its Covid-19 related spend via monthly monitoring returns to the Ministry of Housing, Communities and Local Government (MHCLG). The Council assessed whether they have sufficient funds to tackle Covid-19 and highlighted that the level of funding from Government is between only a third to a quarter of what is needed before the Council can return fully to business as usual.

There are also risks around the potential loss of council tax and business rates income with the overall impact of this remaining unclear until there has been further progression through the recovery phase. Whilst the Council has set a balanced budget for 2021/22, with savings and efficiencies built in, it will need to maintain a high level of monitoring and scrutiny over its finances in order to achieve this budget. If further Government funding is not available, the Council also recognise that it will have to fall on reserve balances.

We noted the direct cost of coronavirus for the council stood at £38m in 2020/21. There is ongoing delays in the delivery of prior agreed budget reduction measures due to the impact of diverting resources into the continued efforts against the impact of the pandemic.

COVID-19 arrangements

The Council has adapted to new ways of working and was quick to transition staff online at the start of the pandemic with great success.

The Covid Action Team was transformative in the Council's ability to manage the risks faced by the pandemic and enabled them to continue to deliver critical services.

The Council made the necessary investments to implement required changes and used this as an opportunity to streamline decision making, make transactional work more automated, improve the efficiency of processes and increase overall productivity.

The Council has focused on tracking these improvements and identifying any further efficiencies that could be made. The Council also recognised this as an opportunity to change how it delivers services and for different departments to work in collaboration to produce better outcomes.

Partnership working is a key theme of the Local Plan, and the Council continues to consult with its partners on how COVID-19 has impacted them to help identify different needs and the level of demand for Council services.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the Covid-19 pandemic.



Improvement recommendations



Financial sustainability

01 Recommendation The key areas of focus for the Council arising from our review of the financial sustainability arrangements are:

- The Council should continue its work in enhancing the understanding of the costs of general fund placements and Education Dedicated Support Grant related Education Health & Care Plans and Special, Educational Needs and Disability costs across the Children and Young People Directorate. This work should lead to more accurate financial forecasting as well as assisting with developing interventions that benefit children to live more independently in the longer term.
- Budget monitoring reports should clearly articulate the underlying causes for the under delivery of savings plans. Actions taken to address under delivery or proposed alternative plans should also be detailed within the report.
- Complete the re-organisation of social care work and focus on continuing to improve the systems used by Social Care staff.
- The Council will need to continue to work with schools and benchmark the number of Special Educational Needs and Disability provisions in mainstream schools made available compared to neighbouring boroughs.
- Management have undertaken some sensitivity analysis when setting the 2021/22 budget. Management acknowledges that sensitivity analysis and scenario planning in terms of 'worst case' and 'stress testing' is an area which will need additional work going forward, to model the financial impact of Covid in the longer-term and ensure that plans are in place to make appropriate operational decisions to maintain financial sustainability.
- The Council is developing longer term solutions to meet the medium term financial challenge, but would benefit from building up a longer term reserves strategy. The strategy should set out principles on the levels of reserves demonstrating how reserves are aligned with priorities and be agile enough to allow the Council to respond appropriately to changes in economic conditions.
- Revisions to the governance structure are required to ensure:
 - A more comprehensive oversight over the capital programme
 - There is a clear alignment of capital resources with corporate priorities
 - A robust approach to programme management
 - Formal oversight of re-profiling change requests
- Given the uncertainty of the pandemic and current economic environment a routine re-profiling of the capital programme would be required. This needs to be complemented by detailed reporting on a scheme by scheme basis with detailed explanations explaining slippage that will assist with holding delivery managers to account for meeting project timescales.



Summary findings

See Financial Sustainability section

Management comment

Improvement recommendations

 Governance

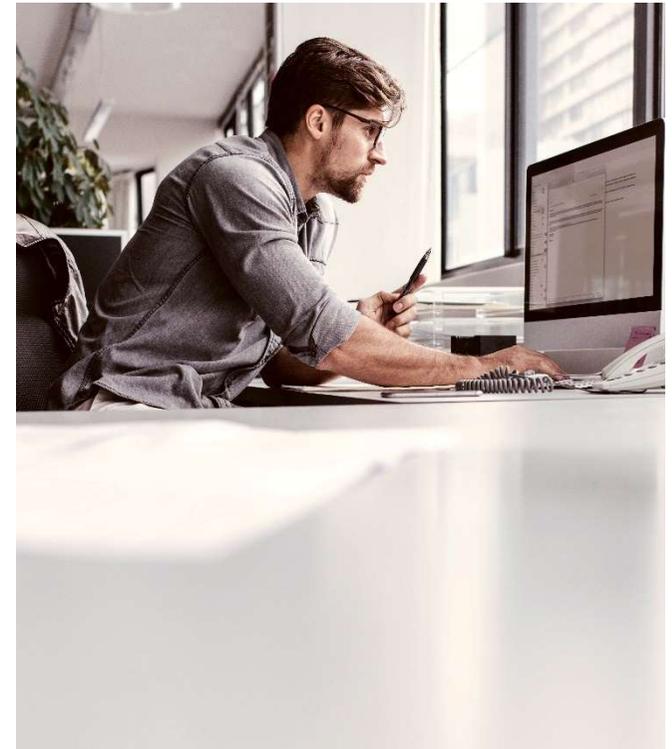
2 Recommendation The key areas of focus for the Council arising from our review of the governance arrangements are:

- The Council should streamline the approach to risk management to ensure it is dynamic and there more consistency and robust centralised risk management.

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Summary findings See Governance Section

Management comment



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

3 Recommendation The key areas of focus for the Council arising from our review of arrangements to improve economy, efficiency and effectiveness are as follows:

- The Council should develop and support the creation of a centralised intelligence hub.
- A quarterly performance monitoring report should be provided to members to monitor and review. The Council should also consider integrated reporting using a balanced scorecard approach, that will better enable management and members to understand the interrelationship between different sources of information.
- The Council should take a corporate approach to identify benchmarking good practice and co-ordinate its use within the services to challenge performance.
- For Lewisham Homes Limited and Catford Regeneration Partnership Limited, a report on progress against action plans and mitigation strategies should be presented to Mayor and Cabinet on a more regular basis.

Summary findings See improving economy, efficiency and effectiveness section.

Management comment



The range of recommendations that external auditors can make is explained in Appendix C.

Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair.
- Prepared in accordance with relevant accounting standards.
- Prepared in accordance with relevant UK legislation.

Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 16 December 2021.

Other opinion/key findings

We had no significant findings in relation to other information produced by the Council, including the Narrative Report and Annual Governance Statement.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Panel on 10 November 2021.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office (NAO).

At the time of writing, the Group Audit Instructions for 2020/21 have yet to be issued by the NAO and therefore this work is still to be undertaken. This will be completed prior to certification of the closure of the audit.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the financial statements was an improvement on previous years, but the audit identified a lot of adjustments to the statements and supporting notes.

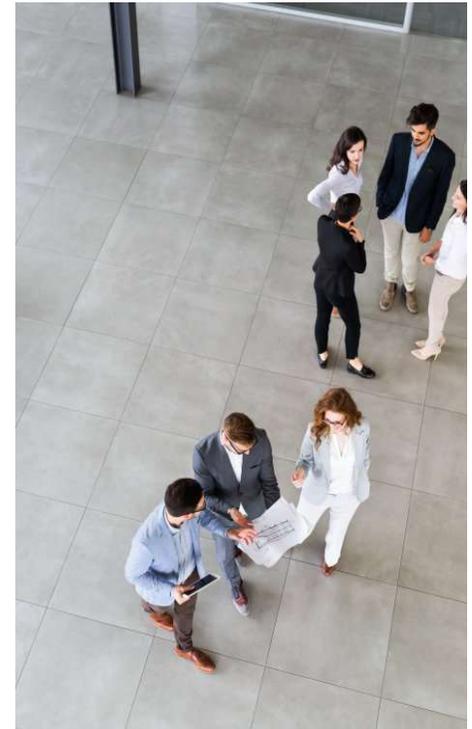
Issues arising from the accounts:

Our audit of the Council's financial statements identified a number of errors impacting on the financial statements, but there was no overall impact on the Council's General Fund balance. A number of amendments were also made to financial statement disclosure notes as a result of audit procedures.

Nine recommendations were made around potential improvements in the Council's system of internal control. These related to:

- Strengthening of the Information Technology environment including increasing the processes and controls when systems are migrated.
- Review of all assets on the fixed asset register that have a nil net book value to ensure that they still exist.
- Reconcile all school bank accounts as at 31 March.
- Review and stop all out dated cheques.
- Review all Section 106 agreements to ensure that these are appropriately recorded. Ensure the receipts and expenditure associated with these agreements are appropriately recorded.
- Reconcile the schools finance reports to source data prior to journaling the entries into the ledger.
- Obtain and retain signed and dated contracts of employment for all staff.
- Reconfigure the pension fund ledger so that it is in line with external reporting and minimizes (or eliminates) the need for manual adjustments.
- Management should reconcile pension fund contributions income received by admitted and scheduled bodies from the bank account to the ledger.

We are satisfied that the associated control deficiencies did not lead to material errors in the 2020/21 financial statements. We will follow up on the progress toward implementing the recommendations raised as part of the 2021/22 risk assessment process.



Appendices

Appendix A - Responsibilities of the Council



Role of the Executive Director of Resources:

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Executive Director of Resources is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Resources is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Executive Director of Resources is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	Not Applicable
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	Not Applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 24-26

Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

<p>Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	<p>We did not make any statutory recommendations during the year.</p>
<p>Public interest report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	<p>We did not issue any public interest reports during the year.</p>
<p>Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	<p>We did not apply to the Court for any declarations to such effect during the year.</p>
<p>Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful. 	<p>We did not issue any advisory notices during the year.</p>
<p>Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	<p>We did not apply for judicial review of any decisions made during the year.</p>

Agenda Item 6



Audit Panel

Internal Audit Annual Report & Opinion 2021/22 and Assurance Progress Update

Date: 21 June 2022

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance. Carol Owen, Counter Fraud Manager

Outline and recommendations

Public Sector Internal Audit Standard 2450 requires that Heads of Internal Audit deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. This report includes that opinion and a summary of the supporting work.

The annual opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control. The opinion is generally positive on all three counts but includes observations on some topics the Council should address when drawing up its Governance Statement.

This report also includes an update summary of work elsewhere in the assurance division, including the Anti-Fraud and Corruption Team.

We ask that Members **note** the Head of Assurance's annual opinion.

We ask that Members also **note** the work underlying the opinion and the Head of Assurance's statement of its independent completion in conformance with Standards.

Timeline of engagement and decision-making

23 June 2021: Audit Panel approves Internal Audit Plan for 2021/22.

16 September and 7 December 2021, 15 March 2022: Progress updates to Audit Panel.

11 May 2022: Summary Annual Opinion shared with Executive Management Team

1. Summary

- 1.1 This report outlines the Head of Assurance's annual opinion for the year 2021/22 on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.
- 1.2 The report sets out the work completed to support the opinion. While some of the planned 2021/22 work remains outstanding, I am nonetheless satisfied that sufficient is completed so far to provide a robust overall conclusion.
- 1.3 On all three counts, the opinion holds the Council has adequate and effective arrangements. However, this includes some observations on topics the Council should address when drawing up its Governance Statement.
- 1.4 We have completed the work described in this report in full conformance with the Standards. In 2021/22, that assertion is further supported by an External Quality Assessment (elsewhere on the agenda of this meeting). We have also worked independently, free from undue influence of either officers or Members.

2. Recommendations

- 2.1 The Audit Panel **notes** the Head of Assurance's annual opinion.
- 2.2 The Audit Panel **notes** the work underlying the opinion and the Head of Assurance's statement of its independent completion in conformance with Standards.

3. Policy Context

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

4. Background

- 4.1 The requirement to provide an Annual Opinion sits in Standard 2450. That Standard directs that:

"The [Head of Audit] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

- 4.2 The Accounts and Audit Regulations 2015 further emphasise this requirement. Regulation 5 holds:

"[Each local authority] must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance"

- 4.3 The work planned to support the opinion was agreed by the Panel in the Annual Audit Plan approved in June 2021. The Panel has also received progress updates in September and December 2021 and March 2022.

- 4.4 In Lewisham, internal audit work is performed by a qualified in-house team supplemented by general and specialist support from PWC and Mazars, each procured through framework agreements. From August 2020 to January 2022 the Head of Internal Audit role was filled by a secondee from PWC, with the current Head of Assurance starting in January 2022.

5. Statement on Independence and Standards Conformance

- 5.1 Lewisham's internal audit service, both as delivered in-house and with external partners, has enjoyed complete and unfettered access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope, findings or reporting.
- 5.2 The seconded Head of Internal Audit until January 2022 was completely free of operational responsibility for any service which was (or could be) subject to audit review. The position is slightly more complex after January 2022 as the new Head of Assurance has, as well as internal audit, operational responsibility for the Anti-Fraud and Corruption Team, the Council's Insurance and Risk Management service and (from June 2022) the Corporate Health and Safety Team.
- 5.3 I am satisfied these additional responsibilities do not present any independence risk for 2021/22 given the quantum of work completed while reporting to the seconded Head of Internal Audit. Therefore for 2021/22, I can confirm we have worked with full independence as required by Standard 1100.
- 5.4 For 2022/23 onwards we will address any independence conflicts through a revised Internal Audit Charter that will come to this Panel for approval in the Autumn. It is likely that Charter will seek independent reviews for areas also within the Head of Assurance's purview, including potentially peer-group arrangements set up by the London Audit Group.
- 5.5 Standard 2450 also requires the annual report includes a statement on Standards Conformance. In 2021/22 that is more straightforward than usual as it coincides with the quinquennial requirement for an external quality assessment. That assessment is elsewhere on the agenda of this Panel meeting and confirms the service **generally conforms** with Standards. This is the highest of the three levels of conformance set out in the report.

6. Head of Internal Audit Opinion

- 6.1 The Standards prescribe no specific format or wording for the Head of Internal Audit's Opinion. However, the layout below aims to capture all the individual requirements for the Opinion set out in Standards 2450.

Scope and Time Period of the Opinion

- 6.2 I provide this opinion to Lewisham Council (the Council) for consideration in preparing its Annual Governance Statement, to be published alongside its financial statements for the year ended 31 March 2022. My opinion is supported by work completed up to and including the opinion date.

Scope Limits

- 6.3 The role of internal audit need not cover only assurance and may also extend towards consultancy, advice and strategic support. We have agreed with the Panel the overall scope of our work in the Internal Audit Charter and the specific scope of work this year in the approved 2021/22 Internal Audit Plan.

Is this report easy to understand?

Please give us feedback so we can improve. Page 124

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

- 6.4 However the audit plan cannot address all risks across the Council and represents our best use of inevitably limited capacity. In approving the plan, the Panel recognised these limits. Beyond this general disclaimer, I have no specific limits of scope to report to the Panel.

Consideration of work completed and reliance on others

- 6.5 I have drawn my opinion from the work completed during the year up to the opinion date. The plan for this work was set out in the plan approved by this Panel in June 2021 and later developed in line with emerging risks and priorities.
- 6.6 As well as the in-house team, the plan was delivered by colleagues at PWC and Mazars, both for specialist and general support. Our engagement with each firm is through a dedicated framework agreement (CCAS for PWC, Apex for Mazars) that includes guarantees on Standards conformance and auditor expertise. I am satisfied that work completed by PWC and Mazars is of sufficient quality to include as evidence supporting my opinion.
- 6.7 In completing my work I have placed no other specific reliance on external sources of assurance.

Information supporting the opinion

- 6.8 The rest of this report summarises the work completed in delivering the internal audit plan through 2021/22.
- 6.9 My opinion draws on the work carried out by and for the Lewisham internal audit service during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Not all risks fall within our work programmes. For risks not directly examined, I am satisfied an assurance approach exists to provide reasonable assurance on effective management.

Risk and control

- 6.10 The Council is responsible for ensuring it undertakes its business within the law and proper practices. The Council must also ensure it safeguards and properly accounts for its resources, using them economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to seek continuous improvement in exercising its roles.
- 6.11 The Council has described key parts of its internal control and risk management within its Annual Governance Statement and Risk Management Framework.
- 6.12 Organisations design internal controls to manage to an acceptable level rather than remove entirely the risk of failing to achieve objectives. So, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.
- 6.13 In completing our work we have considered the control environment and objectives in place at the Council.

Overall Conclusions

Internal Control

- 6.14 I am satisfied that during the year ended 31 March 2022 the Council managed its internal controls to offer satisfactory assurance on their adequacy and effectiveness.
- 6.15 Within that opinion, I note some relatively minor but persistent control weaknesses in the operation of control account reconciliations, procedural documentation and evidencing control function. I have discussed these matters with the Council's Executive Management Team and recommended they be included within the Annual Governance Statement along with a plan to improve compliance.

Framework of Governance

- 6.16 I am satisfied that the Council's framework of governance for the year ended 31 March 2022 complies in all material respects with guidance on proper practices as set out in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government (2016)".
- 6.17 As an additional comment, I wish to thank Members of this Panel and the Council's Executive Management Team for their efforts in supporting compliance with fulfilling agreed actions arising from audit reports. I set out later in this report the current position on compliance which represents a significant improvement on previous years.

Risk Management

- 6.18 I am satisfied the risk management arrangements at the Council for the year ended 31 March 2022 are effective and provide satisfactory assurance.
- 6.19 Within that opinion, I note some considerable space to develop the Council's risk approach to include its reporting, comprehensiveness and integration with wider decision-making. I have discussed these matters with the Council's Executive Management Team and recommended they be included within the Annual Governance Statement along with a plan to improve arrangements.

Other Matters

- 6.20 I have no other matters to report to the Panel as part of my opinion.



Rich Clarke CMIIA CPFA ACFS
Head of Assurance

13 June 2022

7. Internal Audit Work 2021/22

- 7.1 The table on the following page sets out the engagement findings up to the date of this report. Where there are material matters concluded before the Panel meeting we will provide a verbal update. In instances where work is continuing, I am satisfied it is sufficiently progressed that I can use its findings in supporting the opinion. We will update the Panel on further completed work as part of progress reports through the year.

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Internal Audit Engagements 2021/22

Ref	Title	Findings Summary	Assurance Rating	Report Date	Notes
2020/21 Engagements Reported after issue of 2020/21 opinion (June 2021) (additions to agreed plan highlighted) [18]					
20/21-01	Accounts payable	5 x Med	Satisfactory	Jun-21	
20/21-09	Council Tax	1 x High , 1 x Med	Satisfactory	Jun-21	
20/21-37	Project – Liquid Logic/Controcc	1 x High , 2 x Med , 1 x Low	Satisfactory	Jun-21	
20/21-30	Risk Management Framework	6 x Med , 2 x Low	Satisfactory	Jun-21	
20/21-39	Oracle Payroll/HR PIR	6 x High , 5 x Med , 3 x Low	(Advisory)	Jun-21	
20/21-12	Main Accounting Systems	2 x Med , 1 x Low	Substantial	Jul-21	
20/21-17	Treasury Management	2 x Med , 1 x Low	Substantial	Jul-21	
20/21-25	VAT	4 x High	Limited	Jul-21	Panel updated 9/21
20/21-50	Remote Working Review	3 x Med	(Advisory)	Jul-21	
20/21-47	Domiciliary Care Block Contract Payments & Client Charging on After Hospital Discharge	4 x High , 2 x Med , 1 x Low	Limited	Jul-21	Panel updated 9/21
20/21-32	Rough Sleeping Initiative Funding	3 x Med , 2 x Low	Satisfactory	Jul-21	
20/21-46	Passenger Transport Financial Management	1 x High , 9 x Med , 1 x Low	Limited	Jul-21	Panel updated 9/21
20/21-28	Housing of Multiple Occupation – Licensing & Enforcement	2 x High , 2 x Med , 2 x Low	Limited	Jul-21	Panel updated 9/21
20/21-05	Budget Monitoring in Children & Young People and Community Services	1 x High , 3 x Med	Satisfactory	Aug-21	
20/21-14	Payments to Childcare Providers and Foster Carers for Looked After Children	1 x High , 4 x Med , 1 x Low	Satisfactory	Sep-21	
20/21-33	Section 17 Financial Assistance Payments	2 x Med	Substantial	Sep-21	
20/21-36	Smarter Tech Roll Out Project	2 x High , 2 x Med	Satisfactory	Sep-21	

Ref	Title	Findings Summary	Assurance Rating	Report Date	Notes
20/21-15	Payroll	2 x High , 3 x Med , 2 x Low	Limited	Oct-21	Panel updated 12/21
2021/22 Engagements Completed (additions to agreed plan highlighted) [23]					
21/22-98	Community Testing Programme Grant Certification	None	(Advisory)	Aug-21	
21/22-96	Targeted Community Testing – Grant Certification	None	(Advisory)	Sep-21	
21/22-27	Climate Change	1 x High , 4 x Med	Satisfactory	Oct-21	
21/22-30	Youth First – Contract Management	6 x Med	Satisfactory	Oct-21	
21/22-63	Special Educational Needs and Disability Information Advice and Support Service Contract Management	4 x Med , 2 x Low	Satisfactory	Oct-21	
21/22-06	Coopers Lane Primary School	None	Satisfactory	Nov-21	
21/22-07	Dowderry Primary School	2 x High	Satisfactory	Nov-21	
21/22-28	Early Help Service Transformation	2 x High , 5 x Med , 1 x Low	Limited	Nov-21	Panel updated 12/21
21/22-02	Baring Primary School	4 x High	Limited	Jan-22	Panel updated 3/22
21/22-31	Client Contributions for Care Provision	3 x High , 3 x Med , 1 x Low	Limited	Jan-22	Panel updated 3/22
21/22-39	Capital Expenditure	1 x High , 5 x Med	Satisfactory	Jan-22	
21/22-01	All Saints CofE Primary School	1 x High	Satisfactory	Jan-22	
21/22-29	Health & Safety Checks for the Corporate Estate	2 x High , 5 x Med	Limited	Mar-22	See Appendix A
21/22-65	Internal Audit External Quality Assessment	3 x not rated	Generally Conforms	Mar-22	
21/22-99	Supporting Families Grant Verification	None	(Advisory)	Mar-22	
21/22-41	Council Tax	1 x High , 1 x Med ,	Satisfactory	Apr-22	

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Ref	Title	Findings Summary	Assurance Rating	Report Date	Notes
		1 x Low			
21/22-42	Business Rates	2 x High , 1 x Low	Satisfactory	Apr-22	
21/22-40	Data Protection	1 x High , 2 x Med , 5 x Low	Satisfactory	Apr-22	
21/22-03	Beecroft Garden Primary School	1 x High	Satisfactory	May-22	
21/22-57	Pension Scheme Administration	3 x Med , 4 x Low	Satisfactory	May-22	
21/22-05	Brindishe Lee Primary School	None	Substantial	May-22	
21/22-45	Academy IT Audit	1 x High , 2 x Med	Satisfactory	Jun-22	
21/22-60	Main Accounting System	3 x Med	Satisfactory	Jun-22	
2021/22 Engagements In Progress [21]					
21/22-12	Grinling Gibbons Primary School	Draft Report			
21/22-44	Banking	Draft Report			
21/22-37	Homelessness	Draft Report			
21/22-59	Asset Management	Draft Report			
21/22-54	Payroll	Draft Report			
21/22-09	Eliot Bank Primary School	Draft Report			
21/22-15	John Ball Primary School	Draft Report			
21/22-17	New Woodlands Primary School	Draft Report			
21/22-10	Gordonbrock Primary School	Draft Report			
21/22-25	St Winifred's Catholic Primary School	Draft Report			
21/22-26	Our Lady and Philip Nery Catholic Primary School	Draft Report			
21/22-19	Sir Francis Drake Primary School	Fieldwork Complete			
21/22-51	Child Safeguarding – Quality Assurance Arrangements	Fieldwork Complete			
21/22-46	Budget Management – Community Services	Fieldwork Complete			

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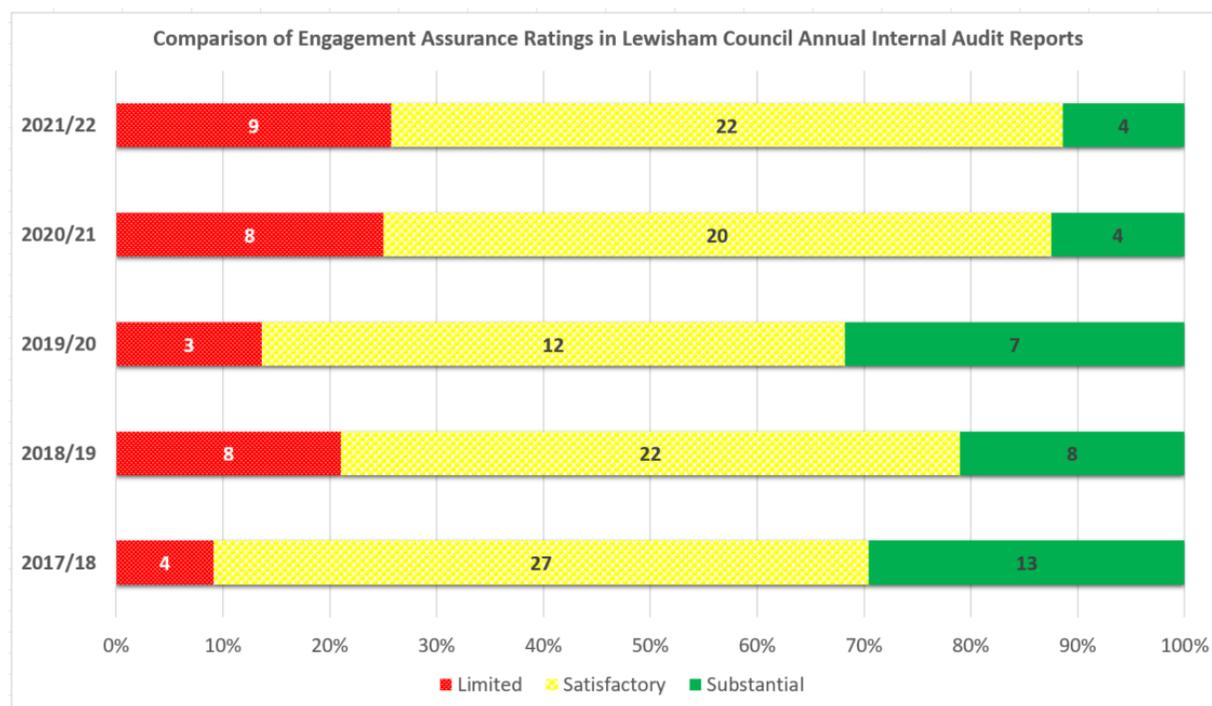
Ref	Title	Findings Summary	Assurance Rating	Report Date	Notes
21/22-64	Fairlawn Primary School	Fieldwork Complete			
21/22-16	Kelvin Grove Primary School	Fieldwork Complete			
21/22-13	Haseltine Primary School	Fieldwork Complete			
21/22-04	Brent Knoll Special School	Fieldwork Complete			
21/22-32	IT Security Arrangements	Fieldwork Complete			
21/22-43	Council Tax Reduction Scheme	Fieldwork Underway			
21/22-38	Procurement and Health & Safety of Temporary Accommodation and Private Sector Leasing	Fieldwork Underway			
2021/22 Audit Plan Engagements Not Taken Forward [21]					
	Accounts Payable	Existing assurance from review in mid-2021			
	Accounts Receivable				
	Treasury Management				
	Office 365	Listed as deferred in December 2021 update to Panel			
	Multi-Agency Support Hub				
	Leisure Contract				
	Business Continuity				
	Building For Lewisham				
	Section 106 and CIL				
	Performance Management				
	Contract Management				
	Risk Management				
	Elfrida Primary School	Owing to resourcing issues, our contractor was unable to complete the schools audit programme for 2021/22. All of these audits will take place in 2022/23.			
	Greenvale Special School				
	Holy Trinity CE Primary School				
	Perrymount Primary School				
	St. Bartholomew's CE Primary School				

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Ref	Title	Findings Summary	Assurance Rating	Report Date	Notes
	St James' Hatcham CE Primary School				
	St John Baptist CE Primary School				
	St Saviour's RC Primary School				
	St William of York Catholic Primary School				



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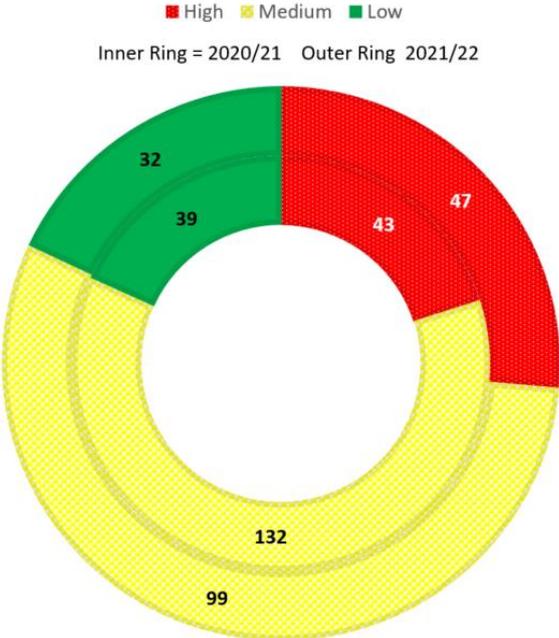
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8. Agreed Action Follow Up

8.1 An important part of how internal audit seeks to drive governance improvements is through agreeing remedial actions to address adverse findings raised. In 2021/22 this has involved raising 178 findings, detailed in the chart below:

FINDINGS RAISED FROM AUDIT ENGAGEMENTS: 2020/21 & 2021/22



8.2 We follow through to implementation all actions associated with high and medium priority findings. At medium level this is typically self-certified by the action owner, with our seeking verification that management have completed high priority actions.

8.3 The chart below sets out progress throughout the year on completing agreed actions. Note that each finding can have several actions associated. Actions associated with high priority findings are the red (right hand) bars, medium yellow (left hand) bars.

Progress of Agreed Audit Actions Related to High & Medium Risk Findings 2021/22



8.4 The table below also summarises completion rates.

Category	High	Medium	All
Completed on time	13%	24%	20%
Completed late	44%	46%	45%
Completed Total	57%	70%	65%
Deferred Due Dates	43%	31%	35%

Action completion rates 21/22, Sourced from IA system

- 8.5 Note that we are now recording more information about the progress and completion of actions so cannot show a like-for-like comparator with previous years. In particular, improved tracking of deferrals means we can more easily identify where actions are complete later than the original due date. For example, if we were to use the same calculation method as last year's report we would declare 100% completed on time because all open actions have (current) due dates in the future.
- 8.6 Improving the compliance on agreed action due dates is a key focus for 2022/23 and we are grateful for the help and encouragement of Members and senior management in that goal. We are focusing on close liaison when finalising reports, including challenging the reasonableness of suggested due dates, and improving our processes to make it easier for officers to provide updates on progress.

9. Quality and Improvement Programme

- 9.1 In 2021/22 Lewisham's Internal Audit Service underwent an external quality assessment, as required every five years. That report, which concluded the service generally conforms to Standards, is also on the agenda of this meeting.
- 9.2 Standards 1300 and 2450 also require that we provide commentary on Quality Assurance and Improvement Programmes in the audit service aimed at securing continuous improvement. The review completed by City of London concluded the service "generally conforms" to Standards. However, we have identified a range of areas where we can improve both actual conformance and how we document to demonstrate conformance. While a lot of the changes will be wholly internal, we want to flag three in particular.

Greater Emphasis on Planning

- 9.3 Currently, the planning stage of a single engagement may be comparatively short meaning we often learn material elements of the process as we go. This results in completing tests that turn out irrelevant or misfocused and raising findings which misunderstand the context. For 2022/23 we've expanded the planning guidance in the audit software and segmented our budget monitoring to track planning time. From a client perspective, this will mean more contact earlier in the work and later issue of terms of reference. However, our aim is this pays off in more precise demands on officers during testing, findings of greater insight and agreed actions derived from clear understanding.
- 9.4 We are especially developing our planning approach to encourage auditors to spend time working alongside the people they audit at the planning stage. This aims to create an immersive experience of how the process works (subject of course to local arrangements and agreement) to help deliver greater engagement and insight.

Shorter, More Specific Actions

- 9.5 We have put in place a more robust internal review process on conclusions and actions, moving it forward in our process to ahead of exit meetings. This should lead to more focussed, single sentence, actions with a clear understanding of resolution conditions. This will also incorporate using additional tools to derive the root cause of

findings and focus our recommendations on remedying those causes. This approach should also eliminate the current ‘back and forth’ that can occur as actions are being simultaneously and separately considered by the auditor, audit management and client management.

- 9.6 Version 6 of our Pentana Software (due to be installed this month) also vastly expands the potential for Directors to review and access information on outstanding actions through a dedicated web user interface. Once we have the software in place we’ll aim to develop and pilot this approach later in the year.

New Reporting Templates

- 9.7 Aiming to make our reporting more direct and accessible. This will include an emphasis on segmenting reports; recognising that they cater for different audiences and seeking to serve them direct. We will start this new reporting for 2022/23 and may vary the approach slightly over the year as we learn more about how the reports are received, with a view to locking in a ‘final’ version within our software later in the year.

10. Anti-Fraud and Corruption Team Update: Year to 31 March 2022

- 10.1 The Anti-Fraud and Corruption Team (A-FACT) includes five officers. All qualified fraud investigators, their work includes special investigations, housing investigations, pre-employment checks and delivering service level agreements with Lewisham Homes and some other local Registered Social Landlords (RSLs).
- 10.2 The special investigation work covers allegations involving employees, contractors, business rates, grants, blue badges and financial irregularities within or against the Council.
- 10.3 Housing investigation work covers fraudulent applications for homelessness support, housing register, right to buy and cash incentive schemes. We conduct investigations into subletting on behalf of our partners Lewisham Homes and several RSLs.
- 10.4 Referencing work covers pre-employment checks focusing on potential conflicts of interest and monies owed to the Council, as well as investigating anomalies with employment history.
- 10.5 We also support Lewisham Homes with more serious allegations of fraud within or against the organisation and pre-employment checks.

Special Investigations

- 10.6 The table below shows headline summary information on special investigation work. Note that cases are assigned to the year they close, which can sometimes be some time after the initial allegation.

Category	2021/22	2020/21	2019/20
Brought forward from prior years	47	37	19
New cases	67	76	121
Closed cases	70	66	103
- Employee & Agency Closed with action	6	10	2
- Employee & Agency Closed no action	4	0	4
- Other Closed with action	41	43	65
- Other Closed no action	19	13	32
Carried forward into future years	44	47	37

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

- 1 x resigned while under investigation
- 3 x not employed due to issues identified by pre-employment vetting
- 1 x not employed and processes improved
- 1 x no fraud identified but procedural weaknesses identified and improved

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

Employee & Agency Case Analysis	2021/22	2020/21	2019/20
Dismissed/Resigned and Convicted	0	1	0
Dismissed/Resigned including Agency	1	4	1
Other disciplinary or monies repaid	4	4	2
Prosecuted for false application	0	0	1
Management action (e.g. process review)	1	0	0
Identity of other issue cleared	0	1	0
Closed with no action	4	0	4
Total Employee & Agency Cases	10	10	6

Non-Employee Case Analysis 2021/22	Total Cases	Fraud Proven or Prevented	Evidence Provided	No Fraud	Info Request
Blue Badges	3	1	1	1	0
Direct Care Payments	2	0	1	1	0
Business Rates	5	3	0	2	0
Other Cases	21	6	0	15	0
Requests for information	29	0	0	0	29
Total	60	10	2	19	29

COVID-19 Business Rates Grants

10.7 A-FACT have supported the Business Rates Team and the Economy, Jobs and Partnership Teams in setting up and processing the various grants available during the pandemic. Our aim was to ensure that while monies were distributed to businesses as soon as possible it was within a robust framework of fraud controls. This has included preparing a Fraud Risk Assessment and Post Event Assurance Plans in accordance with guidance from the Department for Business, Energy and Industrial Strategy (BEIS). We also undertook a range of pre and post-payment checks in accordance with the scheme.

10.8 We will provide a full breakdown of this work in the Annual Report.

Pre-Employment Checks

10.9 A-FACT support Human Resources by undertaking part of the Council's recruitment checks. Each potential employee of the Council must complete a pre-employment check focusing on any issues relating to Council Tax, benefits, rent and personal business interests which may cast doubt on individual integrity or raise potential conflicts of interest. We also undertake these reviews for agency staff.

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

10.7 Of the 28 cases resulting in action.

- 4 x repayment plans created to recover outstanding Council tax or rent totalling £6,575.
- 1 x case identifying fraudulent claim for Single Person Discount
- 18 x declared Company Directorships checked for conflicts of interest
- 5 x undeclared Company Directorships identified

10.8 In three cases an offer of employment was withdrawn following information identified in the pre-employment checks.

Lewisham Homes

10.9 A-FACT continue to undertake investigation work for Lewisham Homes under a Service Level Agreement. This investigation work has been severely hampered by the pandemic. Interviews, visits and court cases have stalled. While this has reduced the volume of work concluded, we have worked with Lewisham Homes to recover five tenancies and, in one case, reduce the size of tenancy offered.

10.10 We undertook 92 pre-employment checks for Lewisham Homes, with 8 resulting in further action, including repayment plans to recover over £7k of outstanding Council Tax and rent.

RSL and Housing Investigations

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

Summary of RSL & Housing Cases	2021/22	2020/21	2019/20
Brought forward from prior years	26	29	66
New Cases	54	29	53
Closed Cases – No Action	29	28	70
Closed Cases – Resulting in Action	10	4	20
Carried forward to future years	41	26	29

11. Financial implications

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

12. Legal implications

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

13. Equalities implications

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

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14. Climate change and environmental implications

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

15. Crime and disorder implications

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

16. Health and wellbeing implications

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

17. Background papers

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

18. Report author and contact

18.1 For any queries on the report please contact Rich Clarke, Head of Assurance on 020 8314 8730 or by email at rich.clarke@lewisham.gov.uk.

19. Appendices

- Appendix A – Summary of limited assurance report published since the previous Panel meeting.

Adverse Assurance Rating Engagement Summaries

Health & Safety Checks for the Corporate Estate (March 2022)

Overall Audit Opinion - Limited

Process Areas & Finding Priority Levels	High	Medium	Low
1. Governance	0	2	0
2. Compliance with Health & Safety Regulations and Managing Risks	0	1	0
3. Monitoring of H&S Compliance and Review of Controls	1	2	0
4. Monitoring and Reporting	1	0	0
Total	2	5	0

Key Findings

- Self-assessment and full audits of service teams are required to be carried out annually, however, it was identified that due to the COVID-19 pandemic the most recently completed health and safety (H&S) audit programme was for the year 2018/19. In addition, it was identified for two quarters where H&S compliance checks could not be carried out for all operational properties in the corporate estate due to staff shortage, that compliance checks were not undertaken for all high risk properties.
- The H&S Committee is required to meet three times per year. However, the last meeting of the Committee was on 4 November 2019. For one meeting of the Corporate H&S Board and one meeting of the Corporate Resources H&S Committee, minutes of the meeting could not be provided. In addition, it was identified that a recent external audit has not been carried out, as required by procedures to monitor the Council's H&S performance in respect of its selected occupational H&S standard (BS OHSAS 18001).
- A review of the health & safety policies and procedures published on the Council's intranet identified that: the Asbestos Policy and Management Plan has not been reviewed annually as required by regulations; the Fire Safety Policy and Water Systems Policy have not been recently reviewed; and of the 36 management procedures and risk control management procedures, eight had not been reviewed within the past 12 months as required by procedures.
- A review of the legionella risk assessment for five properties identified for one which was carried out on 28 January 2021 that the remedial actions (two high priority and one medium priority) from the risk assessment were not recorded on the remedial tracker. Therefore, it was not possible to confirm whether the remedial actions arising from the risk assessment had been completed or not.
- A review of the terms of reference (ToR) for the CYP Non-Schools H&S Directorate Committee and Housing, Regeneration and Public Realm Directorate H&S Committee identified that the documents had not been reviewed within the past year, as required

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by procedures. ToR for the Corporate Resources and Community Services H&S Committees could not be provided. In addition, the Council's Chief Executive Directorate was formed in July 2020 but an H&S Committee for the Directorate has not yet been formed.

- H&S arrangements for property related risk glazing is not checked during the quarterly compliance checks of corporate properties. In addition, it was identified that Compliance Inspectors were not checking whether premises officers / building managers were adhering to asbestos regulations, by ensuring that information about the location and condition of any asbestos was provided to every person liable to disturb it, such as building contractors.
- Testing of 10 quarterly compliance checks on properties, identified that there was no evidence recorded on the remedial tracker that feedback of non-compliance was communicated to the responsible officers. In addition, it was identified that remedial actions had not been completed arising from compliance checks carried out on three properties in April 2021.

Areas that worked well

- The roles and responsibilities for H&S arrangements within the Council have been established, recorded and communicated.
- Regular risk assessments are carried out for key H&S risks such as asbestos, electricity, fire, legionella and passenger lifts.
- Examination of a sample of five operational properties identified for all five properties that the remedial actions from the most recent asbestos 10 yearly risk assessment and management survey, and annual asbestos condition survey were recorded on a remedial tracker and monitored by Compliance Inspectors as part of quarterly compliance checks to ensure that the remedial actions were completed in a timely manner.
- A quarterly H&S report is prepared and presented at Directorate H&S Joint Consultative Committees. The H&S report includes items such as a summary of accidents and incidents along with recommendations on how to improve H&S performance.

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Audit Panel

Internal Audit External Quality Assessment

Date: 21 June 2022

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

Public Sector Internal Audit Standard 1312 requires that each audit service undergo an external assessment at least once every five years by a qualified, independent assessor. Lewisham Council's internal audit service was due an external assessment in 2021/22 and opted in to the London Audit Group's peer assessment process.

The attached report was prepared by the Head of Internal Audit for the City of London Corporation and concludes Lewisham's internal audit service **generally conforms** to the Standards. The report details the 3 (of 135) areas of partial conformance and makes recommendations for remedial action. Lewisham's Head of Assurance has responded to each finding as shown in the report.

As part of the peer assessment process Lewisham will now complete an external assessment of Croydon's internal audit, as set out in the 2022/23 internal audit plan.

Members are recommended to note the External Quality Assessment findings

1. Summary

- 1.1. The report sets out the conclusions of the City of London Corporation-led external quality assessment of the London Borough of Lewisham internal audit service's conformance with Public Sector Internal Audit Standards. The assessment concludes that Lewisham, overall, **generally conforms** to Standards, with 132 specific areas of conformance and three of partial conformance. The report includes remedial recommendations for the areas of partial conformance.

2. Recommendations

- 2.1. We ask Members to **note** the External Quality Assessment findings.

3. Policy Context

- 3.1. This report sets out how the Council has conformed to the requirements of Public Sector Internal Audit Standards in ensuring good governance and efficiency that underpins delivery of all the Council's strategic priorities.

4. Background

- 4.1. The [Public Sector Internal Audit Standards](#) were adopted by the UK public sector from 1 April 2013. These Standards were, and remain, derived from [the International Profesional Practices Framework](#) created by the Institute of Internal Audit with additional obligations relevant to public sector services added on the recommendation of the [Internal Audit Standards Advisory Board](#). The Standards were further revised in 2017.
- 4.2. These Standards created, for the first time, an obligation for each internal audit service to undertake an annual review of conformance (Standard 1311) and, at least every five years, an external assessment conducted by a qualified, independent assessor (Standard 1312). There is no set, uniform approach to undertaking an assessment. Rather the Standards allow for the participants to tailor the approach as necessary, in consultation with Members and Senior Management.
- 4.3. Lewisham last underwent an external Quality Assessment in 2016/17, [reported to the Audit Panel in June 2016](#). That review was led by the NHS London Audit Consortium hosted at Barts Health NHS Trust and concluded that Lewisham conformed to the Standards.
- 4.4. The requirement for a fresh external quality assessment fell due in 2021/22. Earlier in the year, the audit service agreed to take part in the London Audit Group's peer review process to secure the required assessment. In this process, the London Audit Group (comprising Heads of Audit from across London Boroughs) co-ordinate the assessments of participating councils so that each council receives and provides one assessment. Lewisham was assigned an assessment led by the City of London Corporation and will, in turn, deliver an assessment of London Borough of Croydon.
- 4.5. Lewisham's assessment was led by Matt Lock, City of London Corporation's Head of Internal Audit. The major part of the fieldwork took place in November 2021 with the report finalised in March 2022. This slight delay allowed Lewisham's new Head of Assurance – who started in January 2022 – to take part in responding to the assessment.

5. External Quality Assessment Report Findings

- 5.1. The assessment concludes that Lewisham **generally conforms** to the Standards. This is the top of a three-point scale used by City of London that also includes 'partially conforms' and 'does not conform' as possible outcomes.
- 5.2. The assessment considered 135 discrete points of conformance and concluded Lewisham conformed with 132. Three areas were picked out as demonstrating 'partial conformance' and detailed in the report, along with recommendations for remedial action.
- 5.3. The full report, including the Head of Assurance response to the recommendation, is at Appendix A.

6. Financial implications

- 6.1. No direct implications. As part of our involvement in the London Audit Group peer review scheme, Lewisham is now committed to undertaking a review of London Borough of Croydon in 2022/23. This review is accounted for within the Internal Audit Plan approved by this Panel in March 2022.

7. Legal implications

- 7.1. In seeking an External Quality Assessment, the Council remains in conformance with the Public Sector Internal Audit Standards and [Regulation 5 of the Accounts and Audit Regulations 2015](#).

8. Equalities implications

- 8.1. No implications noted.

9. Climate change and environmental implications

- 9.1. No implications noted.

10. Crime and disorder implications

- 10.1. No implications noted.

11. Health and wellbeing implications

- 11.1. No implications noted.

12. Background papers

- 12.1. Public Sector Internal Audit Standards ([link](#)).

13. Report author and contact

- 13.1. This report written by Rich Clarke, Head of Assurance, London Borough of Lewisham. rich.clarke@lewisham.gov.uk. Extension 48730.
- 13.2. Appendix A written by Matt Lock, Head of Internal Audit for the City of London Corporation, with Head of Assurance responses written by Rich Clarke.

14. Appendices

- 14.1. Appendix A – London Borough of Lewisham Internal Audit Performance External Quality Assessment March 2022

London Borough of Lewisham

Internal Audit Performance External Quality Assessment

Date: March 2022

Report Author: Matt Lock, Head of Internal Audit, City of London Corporation

Background and Introduction

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require all Local Authorities to 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 (PSIAS) and associated guidance.

The professional responsibilities of Internal Auditors are set out within the PSIAS, produced by the Registered Internal Audit Standards Setters (the Treasury for the UK), advised by the Internal Audit Standards Advisory Board. Supplementary instruction is also provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their “Local Government Application Note”. The Public Sector Internal Audit Standards require an External Quality Assessment to be undertaken at least once every 5 years, with a self-assessment completed every year between.

This EQA has been completed as a validated self-assessment as part of a wider peer review programme coordinated by the London Audit Group. The Assessment was undertaken by Matt Lock, Head of Internal Audit for the City of London Corporation. Matt is a fully qualified member of both CIPFA and the Chartered Institute of Internal Auditors and has worked in Local Government for over 20 years, the majority of this time being within the Internal Audit profession.

Summary and Conclusion

The review was initiated before the substantive Head of Assurance took up his post and was based on the self-assessment conducted by the Interim Head of Internal Audit, with evidence provided to support its conclusions. In addition, interviews were conducted with some of internal audit’s key stakeholders: The Chair of the Audit Panel, the Chief Executive and the Executive Director of Corporate Resources. A number of Chief Officers and Senior Leaders also responded to a stakeholder survey.

The co-operation and assistance of the Internal Audit team in providing all information asked for and the contribution of those interviewed was greatly appreciated.

Based on the work carried out it can be confirmed that Internal Audit at the London Borough of Lewisham is undertaken in accordance with the UK Public Sector Internal Audit Standards (Generally Conforms). This outcome should be reflected in the Head of Assurance annual opinion report for the year 2021/22. Some minor observations are made in later in the report.

Assessment of Conformance

This assessment was undertaken using the “CIPFA Checklist for Assessing Conformance with the PSIAS and The Local Government Application Note” within which there are 135 criteria that cover the fundamental principles to achieve and required practice. Each criterion is evaluated as either generally conforms, partially conforms or does not conform, with an overall view formed for each core element PSIAS. This is summarised in the table below:

Element of PSIAS	Generally Conforms	Partially Conforms	Does Not Conform	Total
Rules of conduct – Generally Conforms				
Mission of IA	1			1
Definition of IA	1			1
Core Principles	10			10
Code of Ethics	5			5
Attribute Standards – Generally Conforms				
1000 Purpose, Authority and Responsibility	4			4
1100 Independence and Objectivity	21			21
1200 Proficiency and Due Professional Care	10			10

Element of PSIAS	Generally Conforms	Partially Conforms	Does Not Conform	Total
1300 Quality Assurance and Improvement Programme	15			15
Performance Standards – Generally Conforms				
2000 Managing the Internal Audit Activity	17			17
2100 Nature of Work	10	2		12
2200 Engagement Planning	11	1		12
2300 Performing the Engagement	6			6
2400 Communicating Results	18			18
2500 Monitoring Progress	2			2
2600 Communicating the Acceptance of Risks	1			1
Total	132	3		135

Definitions of the levels of conformance with the standards are:

Generally Conforms	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and practice statements within the section or sub-sections. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the Audit Committee.

The overall assessment is, therefore, that the London Borough of Lewisham's Internal Audit function generally conforms to the Public Sector Internal Audit Standards. The 3 areas of partial conformance relate to Nature of Work (Audit coverage in respect of ethics and values) and Engagement Planning (approval of programmes of Audit work), set out in more detail below.



Areas of Partial Conformance

Standard 2100 Nature of Work (extract) 2110: Governance	
Seeking to confirm that the Internal Audit activity evaluates and contributes to the improvement of the organisation’s governance, risk management and internal control processes using a systematic and disciplined approach.	
Does the internal audit activity assess and make appropriate recommendations to improve the organisation’s governance processes for: <ul style="list-style-type: none"> ▪ Making strategic and operational decisions? ▪ Overseeing risk management and control? ▪ Promoting appropriate ethics and values within the organisation? ▪ Ensuring effective organisational performance management and accountability? ▪ Communicating risk and control information? ▪ Coordinating the activities of and communicating information among the board, external and internal auditors and management? 	Evidence: <ul style="list-style-type: none"> ▪ Yes – governance arrangements are covered in most audits. Example: Covid Governance Arrangements audit 2020/21 ▪ Yes – Risk Management audit completed in 2020/21 ▪ Audit of ethical standards has not been undertaken recently ▪ Audit of Performance Management included in 2021/22 audit plan (See Audit Plan 3.1) ▪ Yes – Risk Management audit completed in 2020/21
Assessment	Partially Conforms – While it is possible to demonstrate conformance to this standard through the completion of a set of specific Audit reviews that address the bullet points above, greater conformance would be achieved through incorporating these points more generally within Audit assignments. The Head of Assurance could consider how best to incorporate auditing culture, ethics and values within the Audit methodology
Head of Assurance Response	I agree that targeting these areas through discrete reviews is outmoded practice. It presents a misleading impression that governance can be treated as a distinct and separate area rather than fundamental to achieving successful outcomes. We are currently revisiting our audit approach ahead of the 2022/23 audit plan. This will include documenting engagement planning to ensure these (and other) requirements receive sufficient, clearly set out, coverage in each engagement.

Questions to consider (2110 Governance)		Evidence / comments
<p>Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.</p>		<p>An audit of ethical standards has not been undertaken recently.</p> <p>However, review of HR policies was completed in 2020/21, to be followed up in 2021/22.</p>
<p>Assessment :</p>	<p>Partially Conforms – the Head of Assurance could consider incorporating more explicit coverage of this within the Audit Plan, this may also assist with raising the profile of the Internal Audit team and address the point from the key stakeholder feedback in relation to being seen as a strategic partner.</p>	
<p>Head of Assurance Response</p>	<p>See above. We will revise our audit approach in 2022/23 to ensure ethical related issues are considered at an appropriate level and extent within each and every engagement we undertake.</p>	

Standard 2200 Engagement Planning (Extract)	
2240: Engagement Work Programme	
<p>Have internal auditors developed and documented work programmes that achieve the engagement objectives?</p> <p>Do the engagement work programmes include procedures for:</p> <ul style="list-style-type: none"> ▪ Identifying, analysing, evaluating and documenting information? <p>Were work programmes approved prior to implementation for each engagement?</p> <p>Were any adjustments required to work programmes approved promptly?</p>	<p>Work programmes to address each area of the audit scope are set up in Pentana. For less experienced auditors, these are approved prior to commencing testing</p>

Standard 2200 Engagement Planning (Extract) 2240: Engagement Work Programme	
Assessment :	Partially Conforms – the Standards require all work programmes to be approved prior to initiation. This was discussed with the Head of Assurance who agreed that the audit process would be updated to reflect this requirement. It is acknowledged that limited capacity of Audit Management can present challenges in timely authorisation of work, consideration could be given to making greater use of standard working papers; deploying an already approved programme of work (or elements of predesigned programmes) rather than designing fresh each time, there are arguments for and against and an investment of time required at a different time.
Head of Assurance Response	This was a temporary oversight which has already been corrected in practice since my arrival. It will be embedded in new procedures put together following the review noted above.

Other Observations

Internal Audit has good engagement with the Executive Management Team; reporting regularly on the outcomes of Internal Audit work and, from stakeholder consultation, it was established that the function is well regarded.

Both survey and interviews identified some challenges around management implementation of Audit recommendations although noting that this position has been improving over the past few years, **the Head of Assurance may wish to consider introducing a more robust challenge and escalation as part of the Audit follow-up process.**

Again, from stakeholder feedback, Internal Audit is not really seen as a “strategic partner” to the organisation. There is naturally a tension in balancing resources across a programme of core assurance work, risk focussed audits and those that align more directly to Corporate objectives or strategic priorities. The recently appointed Head of Assurance is well placed to raise the profile of the Internal Audit function, building on the positive engagement referred to above. **As part of the EQA process we discussed that making reference to strategic or Corporate objectives within the Internal Audit Plan could be of some assistance in demonstrating this alignment.**

From discussion with the Interim Head of Internal Audit, it was established that the Internal Audit Improvement Plan has largely been formed from a gap analysis against the PSIAS self-assessment. While this meets the requirements of the standards, it perhaps overlooks the consideration of continuous improvement, particularly given the high level of conformance. **The Head of Assurance will naturally bring a new perspective and fresh ideas to the team and may wish to formalise and build on this in a more structured continuous improvement plan that incorporates changes to the Audit approach and methodology as well as any points to improve conformance with the PSIAS.**

Finally, to note that the team had been very thorough with the initial self-assessment and in the preparation of the substantial volume of evidence required to demonstrate conformance with the PSIAS.

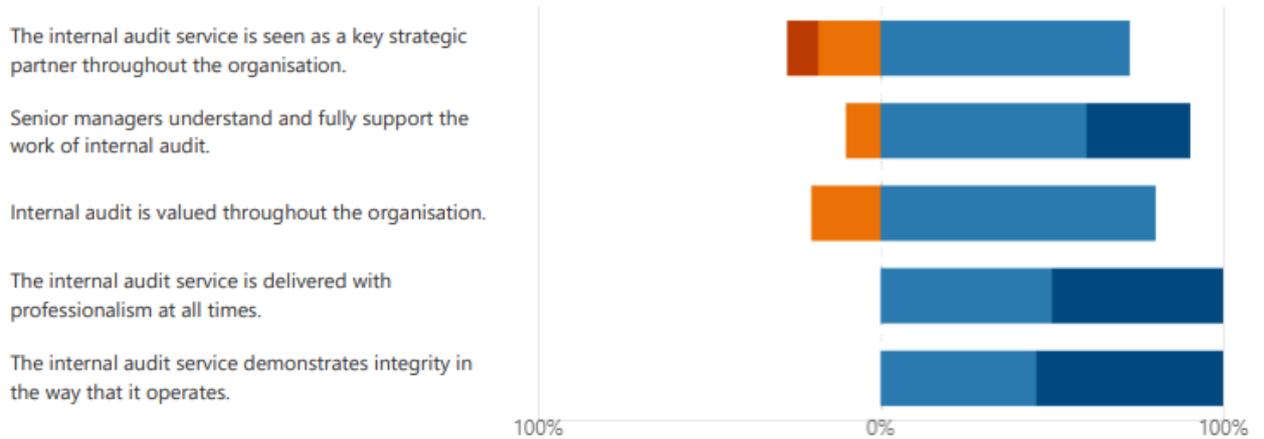
Matt Lock
Head of Internal Audit, City of London Corporation

March 2022

Stakeholder Feedback: Survey Outcomes

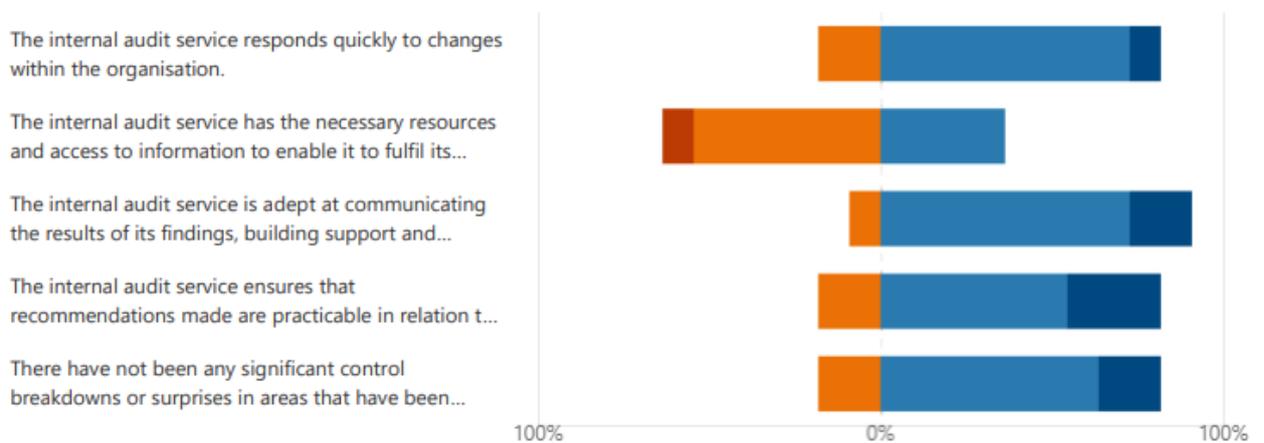
1. Standing and Reputation of Internal Audit

■ Do not agree
 ■ Partially agree
 ■ Generally agree
 ■ Fully agree



2. Impact on Organisational Delivery

■ Do not agree
 ■ Partially agree
 ■ Generally agree
 ■ Fully agree



3. Impact on Governance, Risk and Control

■ Do not agree
 ■ Partially agree
 ■ Generally agree
 ■ Fully agree





Audit Panel

Report title: Corporate Risk Register Update Q4 2021/22 & Safeguarding Risk Review

Date: 21 June 2022

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance - Karen Eaton, Group Manager, Insurance and Risk – Joan Hutton, Director of Adult Social Care

Outline and recommendations

1. This report updates Members of the Audit Panel on the Council's Strategic Risks, as detailed in the Strategic Risk Register for the quarter ending 31 March 2022.
2. The report further advises Members on progress towards developing a refreshed Risk Management strategy, replacing the current 2017-22 edition last seen by this Panel in June 2021.
3. Finally the report provides Members, as requested, with additional information on how the Council manages two specific risks: on child and adult safeguarding.
4. Audit Panel are recommended to:
 - (i) note the Strategic Risk Register
 - (ii) note and comment on plans for developing the Risk Management Strategy
 - (iii) note the update on safeguarding risks

1. Recommendations

1.1 The Audit Panel are recommended to:

- (i) note this strategic risk register
- (ii) note and comment on plans for developing the Risk Management Strategy
- (ii) note the update on safeguarding 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 (2017-22) as reported to Audit Panel in June 2021. The presentational format has been refreshed in response to feedback from Members and Officers ahead of a broader refresh of the Risk Management Strategy.

3.2 Audit Panel have previously requested an update on Safeguarding risks for the June 2022 meeting.

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

3.4 EMT last reviewed and approved the Strategic Risk register in June 2022 and will continue to work to the existing Strategy until approval of its replacement.

3.7 This reports summarises the risks identified as at the end of March 2022.

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 a number of changes to risk scores. We detail these in context of the full register later in the report but in summary:

Reference & Short Title	Change & Rationale
Increasing Risk Scores	
1.B.1: Health & Safety Non-Compliance	Likelihood increased from “3” to “4”. Now red risk. Based on a limited assurance internal audit report highlighting weaknesses in compliance arrangements.
4.A.2: Price Increases & Supply Chain Shortages	Likelihood increased from “3” to “5”. Now red risk. Based on continuing (and forecast further) inflation increases and suppliers’ reduced ability to reliably source equipment such as laptops.
Reducing Risk Scores	
1.A.1: Information Governance Failure	Likelihood reduced from “3” to “2”. Remains amber risk. Based on embedding of planned control actions, affirmed by positive assurance internal audit report.
2.A.1: Internal Control Adequacy	Likelihood decreased from “4” to “3”. Now amber risk. Based on continuing improvements in responding to agreed actions and positive year end controls conclusions.
3.A.2: Management Capacity and Capability	Impact decreased from “4” to “3”, Likelihood decreased from “3” to “2”. Remains amber risk. Based on filling all remaining vacant Senior Leadership posts in early 2022.
4.B.1: Performance Management Failure	Impact decreased from “3” to “2”, Likelihood decreased from “4” to “3”. Remains amber risk. Based on effective implementation of agreed actions, including developing performance dashboard reporting.
5.B.2: Impact of COVID-19 on service delivery	Impact decreased from “5” to “4”. Remains amber risk. Based on lower incidence rate, but cognisant of continuing and developing threat.

- 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 full register and details are at appendix A of this report.

5. Specific Risk Reviews

- 5.1 At its March meeting the Panel requested specific reviews of the two (then and now) highest rated risks on the register:

- 2.A.2: Failure in child safeguarding
- 2.A.5: Serious adult safeguarding concerns

5.2 Each risk has a current risk score of 25 (5 impact x 5 likelihood); the highest rating on Lewisham’s scale.

5.3 This report includes further detail on the management of adult safeguarding risk at Appendix B. Information on the child safeguarding risk will follow.

6. Developing a New Risk Management Strategy

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

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

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



7. Summary & Conclusions

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

8. Financial Implications

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

9. Equalities Implications

- 9.1 There are none arising directly from this report.

10. Legal Implications

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

11. Climate change and environmental implications

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

12. Crime and disorder implications

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

13. Health and wellbeing implications

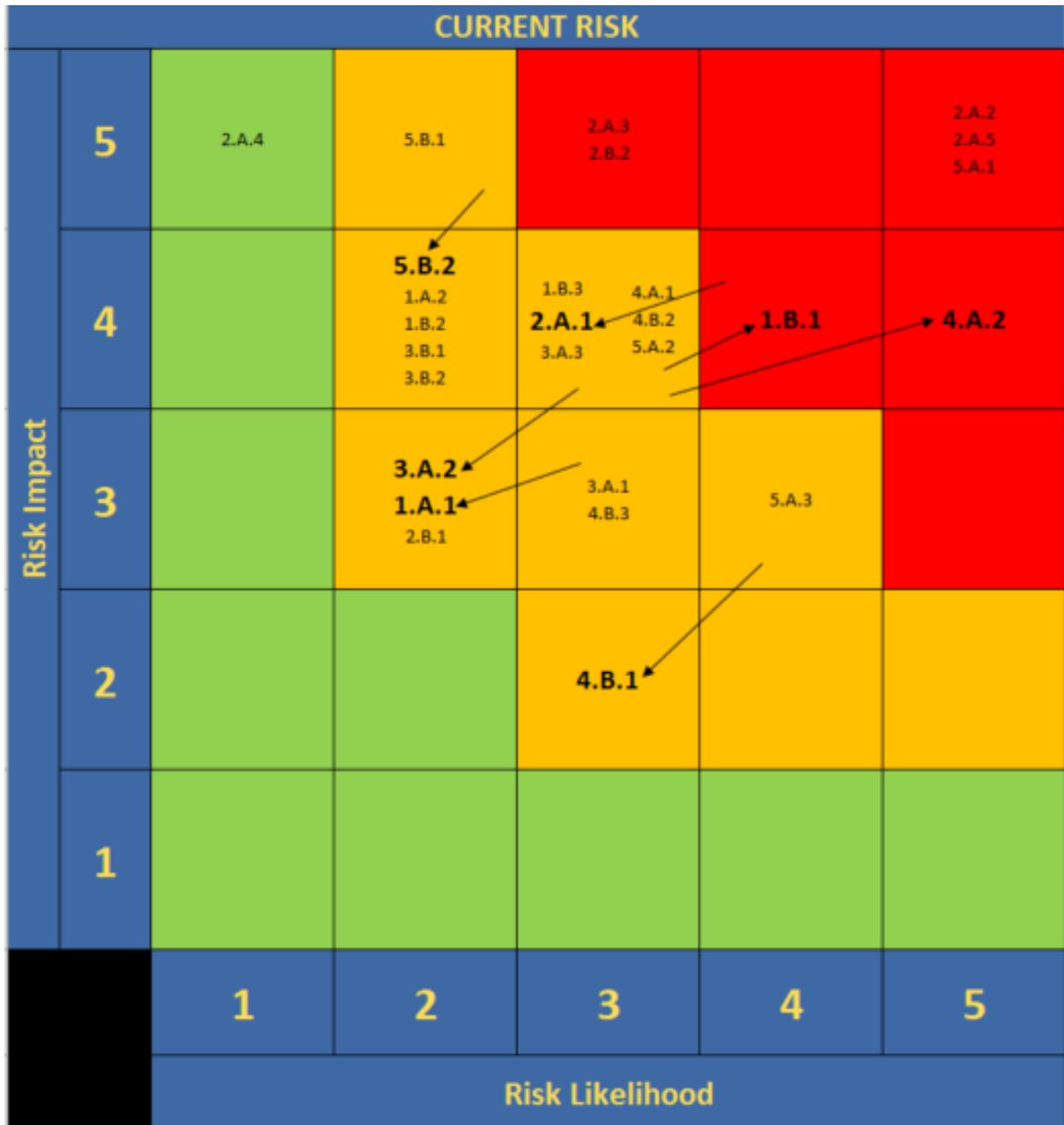
- 13.1 There are none arising directly from this report however some of the risks recorded within the Strategic Risk Register have health and wellbeing implications (e.g. Multi-agency Governance, Failure to agree with partners integrated delivery models for local health and care services) and others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

Report Author

If there are any queries on this report, please contact Rich Clarke, Head of Assurance, on extension 48730.

Appendix A: Strategic Risk Register

Risk Matrix – Q4 2021/22



Larger font bold indicates movement from previous quarter
 Arrow indicates where risk has moved from

Risk Listing – Q4 2021/22

Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Recent Changes
			Imp	Lik	Score	Imp	Lik	Score	
Current High Risks									
2.A.2	Failure in child safeguarding	Children & Young People	5	5	25	5	4	20	
2.A.5	Serious adult safeguarding concerns	Community Services	5	5	25	5	4	20	
5.A.1	Unable to maintain delivery within balanced budget	Corporate Resources	5	5	25	4	1	4	
4.A.2	Global commodity price increases/supply chain shortages	Corporate Resources	4	5	20	3	2	6	UP: Was 4x3 (Amber)
1.B.1	Non-compliance with health & safety	Chief Executive's	4	4	16	2	3	6	UP: Was 4x3 (Amber)
2.A.3	Non-delivery of transformational change	Chief Executive's	5	3	15	5	2	10	
2.B.2	Serious cyber security breach	Corporate Resources	5	3	15	5	1	5	
Current Moderate Risks									
1.B.3	Respond to climate change	Housing, Regeneration & Public Realm	4	3	12	3	2	6	
3.A.3	Pace of change negatively impacts service delivery & morale	Chief Executive's	4	3	12	4	3	12	
4.A.1	Failure to manage suppliers & procurement programmes	Corporate Resources	4	3	12	2	2	4	
4.B.2	Delivery of Building for Lewisham fails	Housing, Regeneration & Public Realm	4	3	12	4	2	8	
5.A.2	Unforeseen spending/loss of income from funding streams	Corporate Resources	4	3	12	3	2	8	
2.A.1	Adequacy of internal control	Corporate Resources	4	3	12	4	2	8	DOWN: was 4x4 (Red)
5.A.3	Loss of income - debt collection	Corporate Resources	3	4	12	3	1	3	

Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Recent Changes
			Imp	Lik	Score	Imp	Lik	Score	
5.B.1	Failure to contain impacts of emergency	Corporate Resources	5	2	10	4	2	8	
5.B.2	Contain impacts of COVID-19 and deliver service	Chief Executive's	4	2	8	3	3	9	DOWN: was 5x2 (Amber)
3.A.1	Loss of constructive relations	Chief Executive's	3	3	9	3	2	6	
4.B.3	Failure to meet Housing standards	Housing, Regeneration & Public Realm	3	3	9	3	2	6	Revised title to reflect wider standards requirements
3.B.1	Multi-agency governance leads to ineffective partnership work	Chief Executive's	4	2	8	4	1	4	
3.B.2	Integrated delivery models for local health & care services	Community Services	4	2	8	3	2	6	
1.A.2	Governance failing in service change	Chief Executive's	4	2	8	4	2	8	
1.B.2	Unresponsive to legislative change	Chief Executive's	4	2	8	4	2	8	
4.B.1	Failure to manage performance leads to service failures	Chief Executive's	2	3	6	2	2	4	DOWN: Was 3x4 (Amber)
3.A.2	Maintain sufficient management capacity & capability	Chief Executive's	3	2	6	3	2	6	DOWN: was 4x3 (Amber)
1.A.1	Information governance failure	Corporate Resources	3	2	6	3	2	6	DOWN: was 3x3 (Amber)
2.B.1	ICT not fit for purpose/does not meet business needs	Corporate Resources	3	2	6	4	1	4	
Current Low Risks									
2.A.4	Elections not conducted efficiently or effectively	Chief Executive's	5	1	5	4	1	4	

Changes since December 2021 marked in **red bold** text

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

As set out in Risk Management Strategy 2017-2022

Risk & Action Listing – Q4 2021/22

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
COMPLY WITH THE LAW: Governance									
1.A.1	Information Governance Failure	6 (6)	3 (3)	2 (2)	YES ↓	Executive Director of Corporate Resources	New data protection training rolled out to all staff	Policy review	End of June 2022
							Regular Directorate Reporting		
							Information asset & security environment audits		
1.A.2	Governance in service change	8 (8)	4 (4)	2 (2)	YES ⇒	Director of Law, Governance & Elections	Corporate Programme Management Office	(none required: risk on target)	n/a
							Finance training for members & officers		
							Themed budget approach		
COMPLY WITH THE LAW: Regulatory									
1.B.1	Non-compliance with Health & Safety regulation	16 (6)	4 (3)	4 (2)	NO ↑	Chief Executive	Directorate & Corporate working groups	Revise corporate H&S manual	Summer 2022
							H&S training programme	Review & tender building inspections compliance programme	Q1 22/23
							Risk assessment & audit programme	Revised policies on water, fire, asbestos	Q1 22/23

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

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
2.A.2	Child safeguarding failure	25 (20)	5 (5)	5 (4)	NO ⇒	Executive Director of Children & Young People	All cases risk assessed & thresholds for access linked to statutory requirements	Improvement programme including embedding Signs of Safety	On track
							LCS system redesigned to improve management	Children's Social Care Improvement Plan within service plan.	Q1 22/23
							Weekly critical safety panel reviewing Quality Assurance and performance framework		
2.A.3	Strategic programme for transformation does not deliver	15 (10)	5 (5)	3 (2)	NO ⇒	Assistant Chief Executive	Organisational Development Strategy & Project Mgmt Office (PMO)	Portfolio approach top oen in line with corporate strategy & recruiting programme management resource.	Q2 2022/23
							Strategic change boards		
							Building focus and capacity		
2.A.4	Elections not conducted in line with law	5 (4)	5 (4)	1 (1)	NO ⇒	Director of Law, Governance & Elections	Overall project plan	(None)	(N/A)
							Extensive staff training and engagement		

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
2.A.5	Failure in Adult Safeguarding	25 (20)	5 (5)	5 (4)	NO ⇒	Director of Adult Social Care	LSAB provided with regular reports, including monthly case audits	Liberty Protection safeguards system implemented	End of April 2022
							Safeguarding adults policy and procedures ensuring Care Act compliance	Agreed actions monitored at Safeguarding Board and Safer Lewisham Partnership	(N/A)
							SAR Board with governance arrangements and referral process in place		
SECURE SERVICES FOR USERS: Technology									
2.B.1	IT not fit for business need purpose	6 (4)	3 (4)	2 (1)	NO ⇒	Executive Director of Corporate Resources	Directorate participation in corporate PMOs.	IT process to triage new application requirements for VfM and integration into existing networks.	Q1 22/23
							Dedicated support for key line of business systems		
							Review BCPs with Emergency Planning team		
2.B.2	Cyber security breach corrupts or locks down Council systems or data	15 (5)	5 (5)	3 (1)	NO ⇒	Executive Director of Corporate Resources	Improved controls on admin-level access	Cloud-based authentication through MS365	November 2022
							Cyber Strategy & response policy approved		
							Online backups and disaster recovery testing		

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
DEVELOP STAFF & PARTNERS: Workforce									
3.A.1	Loss of constructive employee relations	9 (6)	3 (3)	3 (2)	NO ⇒	Assistant Chief Executive	Refreshed people management including employee assistance	Establish various forums including monthly consultative meeting and escalation meeting where required.	Q1 22/23
							Extended union engagement and staff networks		
							Pulse surveys across a diagonal slice of staff		
3.A.2	Failure to maintain sufficient management capacity & capability to deliver business and implement change	6 (6)	3 (3)	2 (2)	YES ↓	Chief Executive	All EMT posts are permanently filled and Director level posts appointed	(None, risk at target)	N/A
							OD Strategy in palce		
3.A.3	Pace of change negatively impacts service delivery and employee morale	12 (12)	4 (4)	3 (3)	YES ⇒	Assistant Chief Executive	Regular staff and management communications from CEX	Develop People Management Strategy	End of May 2022
							Together Lewisham Staff Network & Leading Together Lewisham		
							New appraisal process launched		

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
DEVELOP STAFF & PARTNERS: Partnerships									
3.B.1	Multi-agency governance leading to ineffective partnership working	8 (4)	4 (4)	2 (1)	NO ⇒	Chief Executive	Regular meetings in place and liaison with all key partners & stakeholders	Development of local place based strategic plans being considered	Q1 22/23
							Strategic Partnership Boards in place and actively supported		
3.B.2	Failure to agree with partners integrated delivery models for local health & care services	12 (4)	4 (2)	3 (2)	NO ⇒	Executive Director Community Services	Partnerships in place across health & social care including monitoring initiatives.	Develop proposals for Commissioning Alliance	Continuing
							Integration planning, including joint posts and whole system recovery plan		
							Strategic Commissioning Function developed		
SERVICES REPRESENT VFM: Procurement									
4.A.1	Failure to manage strategic suppliers and related procurements	12 (6)	4 (3)	3 (2)	NO ⇒	Executive Director of Corporate Resources	Contract management toolkit and supporting training plus contract mgmt dashboard	Contract management dashboard to be developed in use	Q1 22/23
							Social Value reporting		
							Expanded service with x2 posts	Annual Compliance Checklist for all contracts	End of June 2022

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
4.A.2	Global commodity price increases or supply chain shortages	20 (6)	4 (3)	5 (2)	NO ↑	Executive Director of Corporate Resources	Monitoring prices through contract management framework	Review supply chain specifications and seek alternatives where possible	Monthly financial reporting
							Using variation clauses as required		
							Market engagement and benchmarking		
SERVICES REPRESENT VFM: Performance									
4.B.1	Failure to manage performance leads to service failure	6 (4)	2 (2)	3 (2)	NO ↓	Chief Executive	Director sessions as part of SLT	Embed programme and project management approach	November 2022
							One Council approach to collaborative work		
							Performance reporting to EMT		
4.B.2	Building for Lewisham programme fails to make full use of available funding streams and/or exceeds	12 (8)	4 (4)	3 (2)	NO ⇒	Executive Director for HRPR	Changes to planning schemes to improve viability, including using 40% of RTB receipts. High level GLA Grant. Split into tranches for clarity & better oversight	Quarterly financial reviews considering scheme improvement options and viability inc. risks re grant spend. Refining	Q1 22/23

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
	financial parameters							budgeting monitoring with LH	
							Updated financial assumptions Jan '22 & quarterly reporting dashboard. BfL Commercial accountant appointed.	Establish monitoring KPIs for Shared Ownership sales by LH	Q1 22/23
							Sensitivity analysis inc. benchmarking with other London Las, FoL, London Councils and GLA	Annual financial assumptions review	October 2022
4.B.3	Failure to meet housing standards	9 (6)	3 (3)	3 (2)	NO ⇒	Director of Housing Services	LBL Self Referral to the Regulator following issues highlighted by ITV programme.	Significant changes to clienting arrangements with LH, including specific KPIs and quarterly monitoring	Q1 22/23
							Closely monitoring Lewisham Homes Lessons Learnt Action Plan.	Include clienting of TMO, RB3 for effective oversight of all housing management and tenant/leaseholder services.	Q1 22/23

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
MANAGE WITHIN BUDGET: Financial									
5.A.1	Financial failure and inability to maintain service delivery within a balanced budget	25 (4)	5 (4)	5 (1)	NO ⇒	Executive Director of Corporate Resources	Audited financial statements, MTFS, regular reserves and provisions monitoring.	Unwind Covid funding from BAU	June 2022
							Financial planning addressing historic pressures and balanced budget.	Monitor local government finance changes	June 2022
							Comprehensive financial planning.		
5.A.2	Lack of provision for unforeseen expenditure or loss of income from funding streams	12 (6)	4 (3)	3 (2)	NO ⇒	Executive Director of Corporate Resources	Expert valuations of pension fund and insurance provisions	Review bad debt provisions and write-offs post covid	June 2022
							Provisions and reserves strategy		
							Monitor and contribute to consultations on future of LG finance		
5.A.3	Failure to collect debt	12 (3)	3 (3)	4 (1)	NO ⇒	Executive Director of Corporate Resources	ASC charging policy	(None)	N/A
							Additional resource for debt collection team		
							LL and Controc systems aligned		

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
MANAGE WITHIN BUDGET: Business Continuity									
5.B.1	Failure to effectively contain impact of emergency affecting public, business, environment	10 (8)	5 (4)	2 (2)	NO ⇨	Executive Director of Corporate Resources	On-call emergency planning rota and training with London wide standardised packages. BC Management programme using Resilience Standards for London Quarterly Borough Resilience Forum with annual tests	(None)	N/A
5.B.2	Failure to effectively contain ongoing impacts of Covid-19	8 (6)	4 (3)	2 (2)	NO ⇩	Chief Executive	Covid risk register, reviewed by multi-agency partnership with established sub groups Service priorities determined and planned. Ongoing monitoring and connection to London situation reporting	Ongoing monitoring and engagement with NHS about booster vaccinations & emerging other threats (e.g. Monkeypox)	Q1 22/23

Updated by risk owners May/June 2022

Appendix B1: Adult Safeguarding Risk Review

Having robust audit processes in place is central to Lewisham's safeguarding adult board LSAB quality assurance system and offers front-line staff an opportunity to reflect in the knowledge that each practitioner is accountable for their own practice. A variety of different approaches and methods are used to audit safeguarding activity in Lewisham, both from a qualitative and quantitative perspective. Many safeguarding cases involve working together with multi-agency partners such as health colleagues, the police, and advocacy services to enable the triangulation of information to ensure sound evidence-based practice underpins every safeguarding intervention.

Stages of the Safeguarding process:

The Role of the Adult MASH- to provide a timely and consistent approach to the management of safeguarding concerns relating to vulnerable adults in Lewisham, and the decision to progress to a Section 42 Safeguarding Enquiry.

Stage 1: Safeguarding concern, this is the action of reporting concerns and allegations to the Multi-agency safeguarding adults contact hub in Lewisham (MASH). **Target timescale: same day as concern is identified.**

- 1) **Stage 2: Risk Assessment.** Having received the safeguarding concern the MASH will triage to determine whether to refer it for enquiries under the London ADASS safeguarding adult's procedures.
Target timescale: By the end of the next working day following the concern being raised.

As the front door service for safeguarding concerns relating to vulnerable Adults in Lewisham, and due to the very nature and volume of the work coming into the team, a significant proportion of the Manager and Senior Social Worker's time and focus is spent on ensuring that cases are effectively triaged and prioritised, risk is proactively managed that a steady throughput of cases is maintained. All work is recorded on the LAS system and the Operational Manager of the MASH has worked closely with performance colleagues to develop reports to assist in measuring the team's performance and in the day to day running of the team. Obviously, the activity of the MASH in dealing with the early stages of safeguarding activity contributes to and forms part of the overall performance management and data collection for safeguarding activity across the Adult Social Care as a whole.

The manager of the Adult MASH holds daily meetings with the team to prioritise work, ensure that the most urgent concerns are being progressed and that appropriate actions have been taken in terms of risk assessments

and developing interim protection plans to ensure the Adult's safety and well-being. These morning briefings have proven to be the most effective means of monitoring performance and ensuring the turnover of cases in this busy and pressurised front-door service.

In addition to general safeguarding concerns, each week the MASH team receive, on average, 120 Police ACN reports (Adult Come to Notice –more commonly referred to as MERLIN reports). These are made whenever MPS police officers encounter adults who may be considered vulnerable by means of mental health, age, illness or disability.

Many of these concerns may not sit under adult safeguarding processes, however, they remain concerns nonetheless, and may require other actions to be taken. We have a responsibility to ensure that all concerns are responded to, and a significant amount of time is spent in the MASH triaging them and where necessary, signposting the person to a more appropriate service. The London Multi-Agency Adult Safeguarding Policy and Procedures

places a responsibility on Safeguarding Adult Boards to satisfy themselves that all Police MERLIN reports are being addressed appropriately through their oversight of safeguarding practice.

Around 80% of these reports are in relation to people with mental health issues, people at risk of relapse who may or may not be known to SLAM mental health services. The implementation of the MASH has enabled us to develop much more effective systems to deal with these reports and to ensure that better outcomes are achieved, despite some operational and organisational obstacles that are yet to be resolved e.g. separate I.T systems. These reports are rag rated by the police and all Red-rated reports are sent directly to the MASH manager, accompanied with by a phone call to ensure that urgent concerns are not missed. We now have daily triaging meetings with SLAM colleagues to go through each MH-related MERLIN report to ensure that appropriate and timely actions are taken in response to the level of risk for each case.

In some cases, it is possible to address the safeguarding issues, meet the person's desired outcomes and empower them to be able to protect themselves in the future in the short time the case sits with the MASH.

However for most concerns, once it has been determined that the grounds for a statutory safeguarding enquiry are met, the responsibility to establish whether any action needs to be taken to stop or prevent abuse or neglect, and if so, what action and by whom is transferred to relevant service.

2) **Stage 3: Section 42 Enquiry.**

The role of Neighbourhood, AWLD, Safeguarding Quality assurance Services– Ensuring that Safeguarding activities are undertaken in line with the agreed risk assessment. The risk assessment and protection plan are kept under review throughout.

Target timescale: Completed within 28days of the alert.

3) **Stage 4: Case closure.** The responsible team coordinating the safeguarding enquiries will complete the case closure and making safeguarding personal questionnaire which is completed with the adult at risk at the conclusion of the enquiries.

Target timescale: Completed at the conclusion of the Section 42 Enquiry.

The audit of ongoing safeguarding enquiries is supported in the following ways.

10 Day case file audits (Safeguarding)

For any allocated case, including safeguarding, workers are expected to take individual responsibility to update each LAS record with a 10 Day case file audit, or a 10-day safeguarding audit setting out what actions have been taken, what work remains outstanding, and the reasons why the case needs to remain on an open caseload. This is to ensure that cases are not allowed to drift. Compliance with the above is monitored through a regular ongoing programme of 6 monthly Case File Audits (see below).

Supervision decisions on case files.

Following each supervision session where caseloads are discussed, including safeguarding enquiries, the line manager is expected to record any decisions, case direction, or actions agreed upon for each case, this is to ensure that cases are not allowed to drift and that there is an appropriate turnover of allocated cases. The individual 10-day case file audits must reflect back on supervision records and evidence that they are being followed or state reasons why this has not been possible. Compliance with the above is monitored through a regular ongoing programme of 6 monthly Case File Audits (see below).

The Role of the SAM (Safeguarding Adult Manager)

Every safeguarding enquiry has an identified Enquiry officer who undertakes and coordinates the actions under Section 42 (Care Act 2014) enquiries and a

person acting as the SAM. The SAM should manage and have oversight of safeguarding concerns that are raised and progress to a full Sect 42 enquiry, providing guidance and support to the Enquiry officer to ensure that risks are properly managed, protection plans are outcome focussed, that due consideration has been given to Human Rights and issue around Mental Capacity and that actions taken are a proportionate response. They should provide ongoing monitoring and quality assure and authorise each stage of the enquiry to ensure that best practice, underpinned by the 6 key principles of safeguarding, is followed at all times. As well as providing this ongoing audit of the enquiry as it progresses, it is the responsibility of the SAM and the Heads of Service to proactively monitor safeguarding concerns to ensure that drift does not prevent timely action and place people at further risk.

A note on timescales;

It is important that timely action is taken, whilst respecting the principle that the views of the adult at risk are paramount and that sometimes, enquiries have to proceed at the pace of the Adult. Divergence from the timescales may be justified where adhering to the timescales would jeopardise achieving the outcomes the adult at risk wants, not be in their best interest, or where significant changes in risk are identified, which need time to be addressed. Other examples where timescales need to flex include when supported decision-making may require an IMCA / advocacy or another resource that is not immediately available, when the person's physical, mental and/or emotional wellbeing may be temporarily compromised, or as a result of other parallel processes having primacy over the enquiry or needing to run alongside it, for example, if the police are undertaking a criminal investigation, or if disciplinary action is being taken. Evidence that enquiries are being proactively managed by the SAM forms part of the monthly call over safeguarding sessions and 6 monthly safeguarding audits (see below).

On-going Quality Assurance Programme and audit of practice

In addition to the role played by individual practitioners and SAMS, the quality assurance of ASC practice and performance falls within a wider quality assurance framework and aims to improve our understanding of whether we are supporting our residents in the right way, at the right time and how we are making a difference to their lives. The delivery of the framework is supported by the Principal Social Worker and the Service Development and Improvement Team, however all services and workers at all levels are expected to participate in the planning and implementation of a series of thematic audits, aligned with the statutory functions of ASC, and ongoing quarterly audits alternating between practice standards and safeguarding, aimed at promoting a culture of openness and continuous self-assessment and improvement. The latter use an audit tool based on the ADASS Use of

Resources tool and Safeguarding audit tool. The safeguarding tool is based on a series of questions designed to draw out evidence that the 6 key principles underpinning adult safeguarding have been applied in each case. The audits focus on the quality of practice and decision making, evidence that the principles of Making Safeguarding personal have been applied and that the Adult at risk has been fully involved in decision making and have been supported to identify the outcomes that are important to them.

Lead auditors are identified and a team of up to 15 frontline staff and managers are each provided with a random sample of 4-5 cases or safeguarding enquires, completed in the preceding 6 months. Results of each audit are collated and analysed by the PSW of Adults and a report is presented to Heads of Service and Director of operations together with an action plan for further improvement. The outcome of these audits should be shared in team meetings and supervision sessions and there is a clear process for managers to follow if the audits have highlighted specific concerns around the practice of an individual worker.

Performance Management, Safeguarding Call-over sessions

Monthly call-over sessions are used to provide an overview of safeguarding activity and assurance that cases are being effectively managed. The Lead Operational Manager and seniors acting in the role of the SAM attend in person to go through all open safeguarding enquiries to explore why the enquiry has not been concluded within the indicative timescales set by the London Multi-agency procedures. The sessions provide a useful forum to offer advice and guidance on individual cases and to identify common themes or trends that may need to be escalated, if necessary to the Safeguarding Adults Board, in order to be resolved. A good example is the delays caused by a backlog of outstanding internal reports in our local acute Hospital trust which were preventing us from progressing and concluding Section 42 enquiries relating to concerns about the care provided by the Trust and community nursing. The sessions provided evidence that led to the development of a jointly agreed Escalation process which resulted in a reduction of delayed reports. The call-over sessions themselves led to a significant reduction in the number of enquiries that were delayed for over 60 days from the point of receiving the concern, and the sessions now focus on cases that are delayed over 30 days. Whilst the focus of the call-over sessions has primarily been on timescales, there are plans to refocus these sessions to explore the quality aspects of safeguarding work across ASC.

Oversight of the Safeguarding Adults Board

As with our key partners in safeguarding, ASC is also accountable to the Lewisham Adult Safeguarding Board. A summary of safeguarding activity is

presented to the board each year. In addition, we receive regular requests for reports to provide the Board with assurance on a variety of issues. These may be local issues or concerns coming out of major safeguarding enquiries or from exposure by undercover journalists highlighting serious concerns about particular types of provisions or care settings. For example, in the last year, we were asked to provide the Board with reports on the number and frequency of placement reviews completed in care homes outside of Lewisham to evidence that we have oversight and are in contact with our citizens placed out of the borough. Another request focussed on the impact caused by restrictions introduced in care homes due to the Covid-19 pandemic.

The board have also coordinated Challenge events for ASC and our key safeguarding stakeholders to discuss their policies and procedures and to receive constructive feedback on areas that could be strengthened or improved.

The Board also arranged for an internal Peer review of safeguarding practice, where an external independent safeguarding specialist senior manager reviewed a number of safeguarding cases and carried out a series of interviews with practitioners and developed a report on her findings which then led to an action plan to take forward recommendations coming out of the review.

Peer Reviews

The audit of safeguarding practice in Lewisham has also been the focus of a Peer Review organised by ADASS and London Councils. It is likely that such sector-led improvement initiatives will be phased out following the announcement that CQC will recommence inspections of Local Authority Adult Social Care departments.

Annual CQC Inspections

Last year in its NHS reform White paper, the government proposed to introduce a duty through a planned Health and Care Bill, in which the CQC would be responsible for assessing local authorities' delivery of their adult social care duties. These annual inspections were last carried out in 2010 and the focus then was on Adult Safeguarding. Whilst we await further details it is clear that Ensuring Safety and Safe and effective practice will be two of the areas that the inspections will focus on.

Agenda Item 9



Audit Panel

Report title: Audit Panel Work Programme

Date: 21 June 2022

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

This report sets out the current proposed work plan for the Panel at its next meeting, scheduled for 8 September 2022, and an outline work programme of regular items across the next 12 months.

We recommend Members **note** the Work Programme

1. Summary

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

2. Recommendations

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

3. Policy Context

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

4. Background

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

5. Anticipated Items for Meeting on 8 September 2022

- 5.1. At its next meeting, currently planned for 8 September 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 Charter.** Annual update to the Charter which sets out how the organisation plans to ensure its audit service can work in line with Public Sector Internal Audit Standards. In particular, the report will discuss revised independence safeguards reflecting the wider role of the Head of Assurance compared with the previous Head of Internal Audit.
 - **Internal Audit Progress Report 2022/23 Q2:** Standard progress report updating Members on findings so far.
 - **Anti-Fraud and Corruption Team Annual Report 2021/22:** Detailing the work of the anti-fraud team, key findings from work completed, and plans for developing the service through 2022/23.
 - **Risk Register Update Q1 2022/23:** Standard update of risk register at the end of Q1 2022/23. Will also include commentary on progress towards developing a new risk management framework for 2023.
 - **Risk Deep Dive:** The Panel has previously examined risks in Budget Management (December 2021), Cyber Security (March 2022) and adult and child safeguarding (June 2022)
 - **External Audit Progress Report Q2 2022/23:** A routine progress update from Grant Thornton. The report will also set out continued progress toward implementing outstanding external audit recommendations.
 - **Update on Audit Committee Regulatory Requirements:** On 31 May the Government announced plans to refresh the primary legislation governing Audit Committees in Local Government. This will include making them mandatory, requiring at least one independent member and seeking to place CIPFA's Audit Committee Guidance (to be published in June 2022) on a regulatory footing. This report will provide Members will an overview of forthcoming requirements and a view of Lewisham's preparedness.

6. Annual Work Programme

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

Audit Panel Work Programme: Lewisham Council						
Service & Document Type	Purpose	Tuesday 21 June	Thurs 23 Sept	Wed 9 Nov	Tues 6 Dec	Tues 14 March
Assurance Service Documents						
Internal Audit						
Annual Report & Head of Audit Opinion 2021/22	Information	☑				
Progress Report	Information	☑	☑		☑	☑
Annual Plan 2022/23	Approval					☑
Audit Charter	Approval		☑			
External Quality Assessment	Information	☑				

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Audit Panel Work Programme: Lewisham Council

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

7. Wednesday 9 November Meeting

- 7.1. This is an extra meeting added to the Panel's typical annual cycle. It is needed to accommodate the end of audit process for the financial statements, which works to a tight schedule with a statutory deadline of the end of November.

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8. Financial implications

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

9. Legal implications

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

10. Equalities implications

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

11. Climate change and environmental implications

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

12. Crime and disorder implications

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

13. Health and wellbeing implications

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

14. Background papers

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

15. Report author and contact

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