



AGENDA AUDIT PANEL

Date: TUESDAY, 14 MARCH 2023 at 7.00 pm

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

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

COUNCILLORS

Independent Members

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

Members are summoned to attend this meeting

**Jeremy Chambers
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: Monday 6 March 2023**



INVESTOR IN PEOPLE

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

ORDER OF BUSINESS – PART 1 AGENDA

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MINUTES OF THE AUDIT PANEL MEETING

Tuesday 6 December 2022 at 7pm

PRESENT Councillor Kestner (Chair), Councillor Rathbone, Councillor Schmidt, Councillor Webley-Brown.

IN ATTENDANCE VIRTUALLY:

NB: Those Councillors listed as joining virtually were not in attendance for the purposes of the meeting being quorate, any decisions taken, or to satisfy the requirements of s85 Local Government Act 1972.

Also present: Amber J Banister (Grant Thornton (Auditor)), Lakshmi Forster (Grant Thornton (Auditor)), Paul D Grady (Grant Thornton (Auditor)), Paul J Jacklin (Grant Thornton (Auditor)), David Austin (Director of Finance (Officer)), Rich Clarke (Head of Assurance (Officer)), Kathy Freeman (Executive Director Corporate Resources (Officer)), Sofia Mahmood (Chief Accountant (Officer)), Claudette Minott (Clerk).

Apologies: Councillor Sakina Sheikh, Councillor Shrivastava, Stephen Warren, Ian Pleace (Independent Members)

1. Minutes

- 1.1 Independent Member Stephen Warren sent apologies, however he sent in comments with regard to items on the meeting agenda, which were forwarded to the Chair and officers ahead of the meeting, as outlined below:

Item 1 - Minutes of Previous Meeting (21 June 2022):

- Page 1 - Item 3. Is it appropriate to add that the Chair said that he was satisfied that the nature of the interest did not disqualify me from participation?
- Page 2 - Item 4 - Recommendation as part of the Audit Findings report: for 'Northern Trust t' read 'Northern Trust'
- Page 2 - Item 4 - Audit Risk Assessment and Audit Plan - for 'the presumed risk of fraud in every revenue recognition' read 'the presumed risk of fraud in revenue recognition'
- Page 2 - Item 4 - Audit Risk Assessment and Audit Plan - for 'It was asked what Grant Thornton's opinion was on cut-off test' read 'It was asked what Grant Thornton's opinion was on the results of cut-off testing'
- Page 3 - Item 5 - for 'making it more consistent across the Council' read 'making them more consistent across the Council'

- Page 3 - Item 5 - for 'It was also asked how does Lewisham's financial resistance compare to other Councils.' Read 'It was also asked how does Lewisham's financial resilience compare with that of other councils'
 - Page 4 - Item 6 - Framework of Governance: for 'fulfilling agreed actions arising from audit report.' read 'fulfilling agreed actions arising from audit reports'.
 - Page 6 - Item 9 - for 'It was agreed that a report summarising the changes on guidance for auditors from CIPFA would be brought to the next Panel meeting.' Read 'It was agreed that a report summarising the changes on guidance for Audit Committees from CIPFA would be brought to the next Panel meeting.' [Also, this does not appear to be on the agenda]
- 1.2 The Chair referred to the matter to the clerk for comment. The clerk advised Members that the typos had been noted and that the minutes of the last meeting would be referred back to the clerk who covered that meeting,
- 1.3 The Chair advised that for the record she was satisfied with the declaration of interest Mr Warren made at the last meeting.
- 1.4 RESOLVED: The minutes of the last meeting were agreed.
- 1.5 The Chair noted two outstanding items to be followed up by Officers:
- Information on the recommendations with regard to the Adult Safeguarding Peer Review.

The Chair advised the Committee were asked to receive comments. However none were received.
 - CIPFA Guidance For Audit Committees

The Chair handed the discussion over to the Head of Assurance (Officer) for further clarification.

The Officer advised the Committee that the report was due late summer 2022, however it was published in October 2022.

The Officer informed Members that the report was due to be included in the meeting agenda. However, due to the meeting agenda being full, the report would be added to the meeting agenda for the next panel meeting scheduled for March 2023, as a separate standalone item.

Members were advised by the Officer that the Guidance was published on the LBL website and it would also be circulated to Members via the clerk.

2. Declarations of Interest

None were received.

3. Audit Findings Report 2021/22

- 3.1 Grant Thornton (Auditor) presented the report.
- 3.2 Members were advised that the report was not available for the original despatch date because officers were delayed by the ongoing audit queries and the requirement to incorporate the latest audit changes into the documents to be submitted to the Panel.
- 3.3 It was important for the Audit Panel to consider the report at the current meeting, as it would enable the audited accounts to be approved by Full Council on 18 January 2023.
- 3.4 The Auditor presented and gave an overview of the draft Audit Findings Report 2021/22 and advised Members that it followed on from their audit of the Council's Statement of Accounts and Pension Fund Accounts 2021/22.
- 3.5 The Auditor also advised the Panel that the purpose of their report was to present the Auditor's Annual Report (VFM) 2021/22.
- 3.6 The Auditor discussed issues such as: materiality, pension funds, the valuation of level 3 investments, pension fund viability, communication requirements and advised there were no material issues identified.
- 3.7 The Auditor also identified the following risks: management override of controls; risk of fraud related to revenue recognition; valuation of land and buildings; valuation of pension fund liability amongst others as detailed in the Auditors report.
- 3.8 The Auditor also discussed matters such as: completeness of issues, as outlined on page 13 of their report and advised the Panel that the Auditor had identified completeness of non-pay expenditure and associated short term creditors as a risk that required particular audit attention.
- 3.9 Independent Member, Stephen Warren submitted a comment, as detailed below:

Item 3 - Grant Thornton Audit Findings and Annual Reports 2021/22

 - Auditor's Annual Report to Lewisham Council - this contains a number of recommendations. It would be helpful for the Panel to have an update on agreed action and progress in implementation from officers before the subsequent year's reporting by GT to provide a focus for action.
- 3.10 The Chair followed up on Mr Warrens comment by enquiring how the Panel would oversee actions going forward.

- 3.11 The Director of Finance (Officer) advised that the Financial Statement papers would be a standing item on the agenda for the next scheduled Audit Panel meeting.
- 3.12 The Chair queried the concept of materiality presented to the Panel by the Auditor.
- 3.13 The Auditor advised the Panel of various testing and measures applied within the audit to identify risks. Members were informed the results of the tests and measures were the drivers for the recommendations put before the Panel.
- 3.14 The Chair queried the proposed fee as presented to the Panel by the Auditors report.
- 3.15 The Auditor advised the Panel that the fee was determined by the quality checks and balances conducted prior to completion.
- 3.16 A Member noted there were 32 assets and enquired as to what they were.
- 3.17 The Auditor assured the Panel that the 32 assets noted had no impact on the balance sheet and that it was not unusual for an organisation to hold assets that had fully depreciated, but were still in use such as cars or IT equipment.
- 3.18 The Auditor identified 3 key areas of focus: governance, sustainability and quality improvement as appropriate across LBL with recommendations provided on i) short term and ii) a priority basis.
- 3.19 The Auditor advised the Panel that LBL could take assurance from the report that they had responded well to the Auditors 2021 recommendations. The Auditor advised they found that there was evidence of clear communications across the LBL hierarchy, with clear vision on meeting challenges presented to LBL such as meeting savings and performance targets.
- 3.20 The Auditor noted that the Risk Management Strategy was being updated and it provided a promising picture despite the challenging environment LBL was in.
- 3.21 A Member enquired how the Auditor conducted its' research and investigation to reach its conclusions.
- 3.22 The Auditor informed the Panel that it conducted surveys, interviewed executive officers, conducted discussions with directorates and consulted internal audit information. The Auditor also advised that benchmarking had also been applied and there were no gaps found in the LBL's procedural arrangements.
- 3.23 A Member stated there was an issue of confidence with the report due to inaccuracies provided, such as the CEO's attendance to the meetings and the frequency of meetings, noting the CEO did not attend all meetings and the Panel did not meet every six weeks as advised by the Auditors report.

- 3.24 The Auditor advised the advice in the report referred to meetings that were held outside of the Panel.
- 3.25 The Member noted that an outsider reading the report may not have this knowledge, noting with the high level of recommendations how much confidence could there be regarding LBL activities on a day-to-day basis?
- 3.26 The Auditor provided assurance that the information provided in the report was reliable and acknowledged the errors that were highlighted.
- 3.27 The Executive Director Corporate Resources (Officer) provided additional clarification stating that given the size and complexity of the report the issues raised were noted and would be revised and amended ahead of the next scheduled full Council meeting.
- 3.28 The Officer also advised that she would consult with other Officers on the matter.
- 3.29 The Auditor reiterated their assurances and advised the Panel that the reporting involved consultation, challenge and scrutiny. Several iterations of the report were created to the current final draft of the Auditors report now submitted to the Panel.
- 3.30 The Chair was satisfied that assurances would be provided by the Auditor and Officers in due course.
- 3.31 The Chair enquired what should LBL be focused on in more detail going forward?
- 3.32 The Auditor noted LBL should focus on various events that had an impact on the LBL activities such as the pandemic.
- 3.33 The Chair enquired whether a reduction in LBL reserves was a cause for concern.
- 3.34 The Auditor advised the Panel that they were aware of the LBL reserves for medium to long-term projects and expected the reserves to cover the projects.
- 3.35 A Member enquired why the data selected by the Auditor was used as a measure of the LBL reserves.
- 3.36 The Auditor provided the Panel with assurance that the data used to convey reserve, illustrated the specified figures were available for the purposes they were allocated to.
- 3.37 The Director of Finance supported the Auditors assurances.
- 3.38 **Recommendations**

The Audit Panel were recommended to note the contents of the report and approve delegation to the Chair of the Audit Panel, in conjunction with the Section 151 Officer, to agree the final reports for submission to Full Council.

3.39 The Panel agreed the recommendations

3.40 RESOLVED the report was noted.

4. Statements of Accounts 2021/22

4.1 Members were advised that the report was not available for the original despatch date because officers were delayed by the ongoing audit queries and the requirement to incorporate the latest audit changes into the documents to be submitted to the Panel.

4.2 It was important for the Audit Panel to consider the report at the current meeting, as it would enable the audited accounts to be approved by Full Council on 18 January 2023

4.3 The report provided an update to the Audit Panel of 2021/22 Statement of Accounts and the statutory external audit processes undertaken.

4.4 The report also provided the Panel with details of the management action responses to the Auditor recommendations made as part of the 2021/22 external audit as well as those included within the Auditor's Annual (Value for Money) report.

4.5 The Chief Accountant (Officer) provided an overview of the Statement of Accounts with its supporting Appendices and advised the report would be published with guidance, then presented to the next scheduled full Council meeting.

4.6 The Officer drew the Panels attention to page 273 of the report that discussed the recommendations and noted there were 5 new recommendations, 3 of which related to the 2021 recommendations present to LBL by the Auditor.

4.7 The Officer also discussed the general ledger, review assets and records of assets, noting an incident where a record of an asset could not be found. The Officer assured the Members this particular issue was historical archiving issue and it was unlikely it would occur again.

4.8 The Officer discussed the VfM report and noted there were 5 outstanding recommendations out of 13 recommendations set out by the Auditor. In addition there were 7 new recommendations as outlined in the report.

4.9 The Officer advised responses to the recommendations would be provided ahead of the reports submission to the next full Council meeting.

4.10 The Officer drew the Members attention to page 120 of the report and discussed: cost of services, schools, human resources (HR), HR system,

annual leave accrued, actuary valuations, the balance sheet, cash balances and creditors.

- 4.11 In response to Member queries the Director of Finance (Officer) gave the Panel assurances with regard to the independence of the Auditor and reliability of the information provided.
- 4.12 The Auditor supported the Officer's assurances.
- 4.13 The Chair enquired about the accounts of Lewisham Homes now that LBL were due to take the Lewisham Homes function back in-house.
- 4.14 The Chief Accountant (Officer) and the Auditor confirmed to the Panel that Lewisham Homes would require its' own set of group accounts.
- 4.15 The Chair enquired on the current trend with regard to LBL grants.
- 4.16 The Chief Accountant (Officer) noted grants such as that provided for Covid and advised the Panel that LBL was in the process of completing the allocated spend on those grants.

4.17 Recommendations

The Audit Panel were recommended to note the draft Statement of Accounts and Pension Fund Accounts 2021/22 and the agreed audit adjustments, and:

- Approve the Management Representation Letters.
- Provide an update on the recommendations to the Draft Audit Findings Report 2021/22 and follow up of 2020/21.
- Provide an update on the recommendations to the Auditor's Annual Report (VfM) 2021/22 and follow up of 2020/21.
- Recommend delegation to the Chair of the Audit Panel, in conjunction with the Section 151 Officer, to agree the final reports for submission to Full Council.

4.18 The Panel agreed the recommendations.

4.19 RESOLVED the report was noted.

5. Internal Audit Update (including IA Charter)

- 5.1 The Head of Assurance (Officer) presented the report and provided an overview of the Internal Audit Update, which also included the Internal Audit Charter.
- 5.2 The Officer advised the Panel that the Internal Audit Charter was a formal document that translated the principles and objectives of the Public Sector Internal Audit Standard into their local application. It was a key document in providing internal audit with the authority to conduct its work and therefore required annual endorsement from the Members.

- 5.3 The Panel were advised that in order to comply with Public Sector Internal Audit Standards (the “Standards”) each internal audit service was required have a Charter. The report therefore set out how certain questions of Standards application that were left to individual organisations to determine would function, as well as provide a high-level statement on the position and authority of the internal audit. The Standards required that the Charter underwent a periodic review and approval by Senior Management and Members.
- 5.4 The Officer advised Members that the current Internal Audit Charter was approved by the Panel in June 2021. That particular document was a brief overview that omitted some Standards requirements and did not fully address how to maintain the service’s independence.
- 5.5 Members were informed that this was partly due to the then Head of Audit being seconded from an external firm, who presented those independence and organisational questions in a different context.
- 5.6 The Panel were advised that the Chief Audit Executive role was now delegated to the Head of Assurance, who also had operational responsibility for insurance, risk management, counter fraud and corporate health & safety.
- 5.7 Members were informed that the Officers new role was a permanent post, which encompassed a wider responsibility and created an opportunity to revisit the Charter fully to ensure Standards compliance and fit with the permanent structure of the service.
- 5.8 The Officer also provided an update on the work of the Internal Audit service, as detailed in the Officer’s report.
- 5.9 There were no questions from the Panel to the Officer.
- 5.10 The Officer gave the Members an overview of the work that had been completed since the Panel last meeting and discussed areas such as: limited assurance rating, bank reconciliation improvement providing further detail on how the finance team would modify the bank reconciliation process. The Officer was satisfied with the proposed actions that would be undertaken to deliver the outcome.
- 5.11 The Officer discussed section 6.2 of the report and noted the LBL had engaged two new apprentices.
- 5.12 The Panel were also advised the school audits would be completed within the next few weeks.
- 5.13 The Officer explained the report findings with regard to work that had been completed as a result of Auditor recommendations and the Officer advised the Members he was satisfied that LBL were on top of high priority cases, noting if future issues arose, the Panel would be notified.

- 5.14 Members' questions put to the Officer related to: Section 106; unconnected funds; services; Members confidence in the report; meaning of paragraph 7.1 of the report and LBLs tolerance to risk.
- 5.15 The Officer provided clarification to Members with regard to Section 106 as detailed in the report.
- 5.16 The Panel were assured by the Officer that he was keeping track of LBL Funds
- 5.17 The Officer discussed LBL crematoriums and cemeteries as an example to the Panel of services and advised that such a service involved risks such as: staff training, finances and operations.
- 5.18 The Officer addressed the concern of Members confidence and assured the Panel that this year LBL had taken on 5 engagements. It was also noted that work was being done to improve the declaration of interest form, which the Panel would be notified of.
- 5.19 Members were provided with clarification by the Officer of paragraph 7.1 of the report. The Officer advised that the quality assessment procedure, noting that the delivery of improvements would be easy since the recommendations received on this area were the same as received in 2021.
- 5.20 The Officer noted that the recommendation of additional training was a good quality recommendation and minded Members that not all outstanding actions were listed individually.

5.21 Recommendations

5.22 The Audit Panel recommended that:

- Members approve the Internal Audit Charter.
- Members note the Internal Audit Progress Update.

5.23 The Audit Panel approved the Internal Audit Charter.

5.24 The Audit Panel noted the Internal Audit Service Progress Update.

5.25 RESOLVED the Panel noted the reports.

6. Risk Update

6.1 The Head of Assurance (Officer) presented an overview of the Risk Update report.

6.2 The report provided the Panel with an update on the Council's Strategic Risks, as detailed in the Strategic Risk Register for the quarter ending 30 September 2022.

- 6.3 The report also advised Members on the progress toward with regard to the development of a refreshed Risk Management strategy, in order to replace the current 2017-22 edition submitted to the Panel in June.
- 6.4 The Officer advised the Panel that work would be undertaken in early 2023 to streamline the Risk Management Strategy, as the current iteration was not as clear as desired.
- 6.5 A Member asked for clarification of the differences between the old and new Risk Management Strategy.
- 6.6 The Officer advised the Panel that the new strategy detailed corporate and project risks. The Officer provided further clarification noting that the highest projects risks equalled impacts on LBL.
- 6.7 Several Members of the Panel raised concerns with regard to Council Tax risks.
- 6.8 The Officer advised the Panel that Council Tax was listed on the Risk Register as Debt Collection – 583 and was reviewed annually to see whether its position should be amended.
- 6.9 The Executive Director Corporate Resources (Officer) acknowledged the Council Tax risks and noted the tax formed 40% of the LBL income. Members were informed by the Officer that the LBL Council Tax debt collection methods were undergoing review and amendments.
- 6.10 The Chair sought assurance as to whether the review and amendments being applied to the debt collection process for Council Tax, would be applied to local business rates.
- 6.11 The Officer advised the Members that she would investigate the debt collection process for business rates.
- 6.12 A Member enquired about the LBL risk appetite.
- 6.13 The Head of Assurance (Officer) stated that LBL sometimes take risks that are deemed as acceptable, whilst aim to avoid those that would be bad for LBL. However each risk would need to be assessed within the context it appeared in. Sometime it was necessary for LBL to accept risks.
- 6.14 The Chair asked if risks registered were not dealt with on target and there were no proposed actions on the part of LBL, would the LBL be viewed as complicit in support of the risk?
- 6.15 The Officer reiterated that on occasion LBL would face risk that were unavoidable to it's activities.
- 6.16 The Chair made reference to errors in the Corporate Risk Management Tool.
- 6.17 The Officer noted the errors and advised there would be amendments made.

- 6.18 A Member enquired how soon improvements be seen under the new risk strategy.
- 6.19 The Officer assured Panel Members that improvements in LBL risk outlook would become evident in a matter of months.

6.20 Recommendations

The Audit Panel were given the recommendation to:

- (i) Note the Strategic Risk Register
- (ii) Note and comment on plans for developing the Risk Management Strategy

6.21 The Panel:

- Noted the Strategic Risk Register
- Note and comment on plans for developing the Risk Management Strategy

6.22 RESOLVED the Panel noted the report.

The meeting finished at 8. 46 pm

Agenda Item 2

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 1
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 14 March 2023

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

1 Personal interests

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

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

2 Disclosable pecuniary interests are defined by regulation as:-

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

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

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

(3) Other registerable interests

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

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

(4) Non registerable interests

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

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

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

(6) Sensitive information

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

(7) Exempt categories

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

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

Agenda Item 3



Audit Panel

Report title: External Audit Update

Date: 14 March 2023

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 2022/23 closing of accounts and statutory external audit processes.
 - Provide an update on the recommendations to the Action Plan 2021/22
 - Provide an update on the recommendations to the Annual Report (VFM) recommendation 2021/22

1. Summary

- 1.1. The purpose of this report is to provide an update to the members of the Audit Panel on the preparations for the 2022/23 closing of accounts and statutory external audit processes.
- 1.2. The report also provides members with an update on the 2021/22 external audit and the management action responses to the auditor recommendations as well as progress on the Annual Report (VFM) recommendations.

2. Recommendations

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

3. Policy Context

- 3.1. The report is consistent with the Council's policy framework, supporting the priorities set out in the Corporate Strategy 2022-26. It contributes towards all Council priorities through effective management of finance.

4. Background

- 4.1. The 2021/22 audit of the Statement of Accounts is awaiting final review and certification by Grant Thornton for both the Council and Pension Fund. The Value for Money element of this has been finalised. The anticipated audit opinion is that the accounts give a true and fair view of the financial position of the group, Authority and Pension Fund during 2021/22 and have been properly prepared.
- 4.2. The external auditors Grant Thornton are due to commence the interim audit in late March 2023. The areas which will be covered as part of this interim process include: updated review of the Council's control environment; updating their understanding of financial systems; review of Internal Audit reports on core financial systems; early work on emerging accounting issues; and early substantive testing.

5. 2022/23 Statement of Accounts

- 5.1. The Department for Levelling Up, Housing and Communities published on 16 December 2021, measures to support the timely completion of local government audits. This included extending the deadline for preparing draft accounts to 31 July 2022 and publishing audited accounts to 30 November 2022 for 2021/22 accounts.
- 5.2. This extension no longer applies for 2022/23 accounts and so the deadline for preparing draft accounts has reverted back to 31 May 2023. In line with other Boroughs and the LGA, Lewisham Council responded to a DLUHC request for views on this deadline for it to be extended to 30 June 2023. The extraordinary pressures which led to the extension still apply. Only 12% of local authority audited accounts for 2021/22 were signed off by the extended November deadline.
- 5.3. Lewisham Council will work to preparing draft accounts by 30 June 2023 and publishing audited accounts by 30 November 2022. These will be shared with the Audit Panel at the relevant meetings throughout the year for approval as required.
- 5.4. The Council's 2022/23 closing of accounts timetable and guidance notes have been updated and communicated to relevant officers. A lessons learnt session was held to support continuous improvement and changes have been made to reflect the findings. Training events have been held to share the key requirements and offer training, support and guidance.
- 5.5. Grant Thornton will publish the 2022/23 Audit Plan at the July Audit Panel. The interim audit data requests are being collated to support the sampling of income and

Is this report easy to understand?

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expenditure to Period 11.

6. 2021/22 Audit Findings Report & Annual Report Recommendations

- 6.1. The Audit Findings Report for London Borough of Lewisham and Lewisham Pension Fund for the year ended 31 March 2022, 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 2021/22 audit.
- 6.2. Progress on these recommendations is included within Appendix A.
- 6.3. The Auditor's Annual Report (VfM) for the year ended 31 March 2022, includes an action plan. This consisted of a number of recommendations for the Council following their review of the Council's arrangements for securing economy, efficiency and effectiveness. The report also included a follow up of prior year recommendations.
- 6.4. Progress on these recommendations is included within Appendices B and C.

7. Financial implications

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

8. Legal implications

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

9. Equalities implications

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

10. Climate change and environmental implications

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

11. Crime and disorder implications

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

12. Health and wellbeing implications

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

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14. Appendices

- 15.1 Appendix A – Draft Audit Findings Report 2020/21 Action Plan Recommendations
- 15.2 Appendix B - Auditor's Annual Report (VfM) Recommendations 2021/22
- 15.3 Appendix C - Auditor's Annual Report (VfM) Recommendations 2020/21

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Appendix A

The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2022

Action Plan – Audit of Financial Statements – Council

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
2020/21	Medium	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.	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.	Core Accounting – Final Accounts Complete - process amended	The current accounting policy for depreciation of vehicles, plant and equipment is a range of 5 to 40 years. A review of all assets with a nil value has been undertaken with a working paper to support officers’ assessments. If, following this work, this issue remains an audit concern the Council will review the accounting policies as part of the review required with changes to prudential borrowing guidance. There may also be additional issues as a result of the national review of infrastructure asset valuations. This will be covered within 2021/22 Statement of Accounts & Audit. Audit Response: The team should implement processes to ensure all assets are appropriately tracked. Further Management Action: Assets are now being tracked.
2020/21	Low	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.	Management should review and stop all out dated cheques.	Core Accounting – Systems Complete - process amended	A process does exist to stop cheques where this is specifically requested. A regular review is required to ensure that all cheques over 6 months are stopped as part of business as usual. This is being undertaken every 3 months. At the last review in August 2022 the cash team confirmed there were no cheques outstanding over six months old. Audit Response: There are still 6 cheques of total £1,027.18 dated back to 2020 which are appearing in the bank reconciliation as unrepresented cheques. Further Management Action: Although the cheques were stopped, they were not cancelled and so the control account was not cleared. These will now be cancelled after 6 months of issue.

Appendix A

The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2022

Action Plan – Audit of Financial Statements – Council

2020/21	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.	CIL Team Ongoing work in progress – review May-23 to confirm latest variance	A comprehensive review has been undertaken; matching Exacom (the planning system used to record s106 transactions) entries to Oracle ledger receipts, project usage and associated conditions. This will continue throughout 2022/23 to provide additional accuracy. The ongoing process is also being reviewed to ensure the relevant information is recorded and tracked to allow accurate representation within the Statement of Accounts. Audit Response: The S106 agreements have been correctly accounted for. However, the Exacom system is not fully reconciled to the general ledger. Further Management Action: Work is ongoing to reconcile Exacom to the General Ledger.
2020/21	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.	HR L&D April-23 once system is implemented	The Resourcing department requests signed contracts from new employees as part of the induction process. The current process does not allow for a retrospective review of returned contracts as the process is manual and so difficult to manage. A new recruitment platform is being developed which will include digital signage for employment contracts. This is due to be implemented in December -22. Audit Response: 1/13 signed contracts was unable to be located. Further Management Action: There has been a delay in the implementation of the new recruitment platform. ORC is due to go live in March-23 and the contracts will be signed directly on the platform which means we will be able to monitor what contracts are awaiting signature.

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The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2022

Action Plan – Audit of Financial Statements – Council

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
2020/21	Medium	<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>Core Accounting – Capital</p> <p>March-23 when training & guidance issued</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>Audit Response: Testing identified 2 errors in 2021/22.</p> <p>Further Management Action: Additional training and guidance will be provided to Capital Project Managers.</p>

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The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2022

Action Plan – Audit of Financial Statements – Council

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
2021/22	Medium	Whilst preparing the financial statements officers identified that the balance on the Consolidated Income and Expenditure Statement did not equal the difference in reserves between 31 March 2021 and 31 March 2022. A correction journal of £2,286k was performed to ensure that the accounts balanced.	The Council should investigate how this initial imbalance arose.	Core Accounting – Final Accounts June-23 when reconciliation undertaken	Management will reinforce the rules for use of balance sheet codes to the services to reduce the chance of future imbalances occurring. A full and detailed reconciliation between the net deficit/ surplus in the CIES and the movement in net asset value in the Balance Sheet will be carried out again in 2022/23 to identify and correct any miscoding that creates any imbalances.
2021/22	Medium	Our testing identified 2 errors (total value £749k) in our testing where payments were made for capital expenditure for works completed in 2021/22 but had not been accrued for. The extrapolated error is £2,170k	Your cut off procedures need strengthening to ensure that expenditure is coded in the year in which it relates.	Core Accounting – Capital June-23 when cut-off testing undertaken	Improvements have been made in cut-off training and testing. A training session will be held specifically for Capital Project Managers to share best practise requirements and impact. This should improve the completeness of capital accruals made for 2022/23.
2021/22	Medium	The Council has identified 132 assets that have a nil net book value. The Council were unable to locate these assets. The assets are fully depreciated and are years old and have now been written out of the asset register.	The Council should implement processes to ensure all assets are appropriately tracked to ensure they can be located.	Core Accounting – Final Accounts Complete – process amended	Assets are now being tracked and generic assets (particularly infrastructure) are no longer added to Fixed Asset Register.

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The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2022

Action Plan – Audit of Financial Statements – Council

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
2021/22	Medium	The Adult Social Care ContrOCC system is not being updated and monitored regularly to ensure the commitments stated on the system are complete and accurate. The finance team rely on the reports from the ContrOCC system to determine outstanding commitments to be raised as creditors at year-end.	The Council should ensure the ContrOCC system is regularly updated.	Service Finance – Communities Ongoing work in progress – review latest balances in May-23	There will always be an element of non-delivery on care such as Homecare as people go into hospital, decline, or do not require the service. Two key workstreams are being undertaken to improve the accuracy of commitments within the ContrOCC system: <ul style="list-style-type: none"> - A monthly reconciliation is to be created which will compare payments made on the Oracle system to the ContrOCC commitment report, this will highlight potential commitments that should not be within ContrOCC as payments are not being made. - Invoices on hold are also reviewed on an ongoing weekly basis to make sure commitments in the system are accurate to enable invoices to be processed without intervention. Both will help improve the accuracy of outstanding commitments and the year-end creditor.
2021/22	Medium	The Council has significant credit balances on Council Tax and NNDR accounts due to residents and businesses. These balances have remained outstanding for several years	The Council need to take action to repay these creditors. In the instance where the residents or businesses cannot be traced and the legal time limits have expired, the Council should write back these amounts.	Resident and Business Services Ongoing work in progress – review latest balances in May-23	Action will take place during Summer to proactively contact customers where details are held to refund these sums. Where contact is not made, the amounts will be written off. Should customers contact Lewisham at any time, we will write back the credit and raise a refund All write off balances will be reported to the Director of Finance for review and approval.

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The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2022

Action Plan – Audit of Financial Statements – Council

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
2021/22	Medium	Schools bank accounts were not all reconciled as at 31 March 2022. Some were reconciled at an earlier date.	All school bank accounts should be reconciled as at 31 March.	Service Finance – Children’s April-23 when receive reconciled bank accounts	All schools bank accounts will be reconciled as at 31st March, which is included within the Schools and Corporate Closing timetable and training. This date does not clash with the schools Easter Holiday.
2021/22	Medium	Management had challenges demonstrating the Pension Fund statements reconciled directly to the ledger.	The Fund should continue to work with the custodian to improve coding so the accounts are prepared directly from the trial balance.	Treasury & Investments May-23 when transactions reconciled	Management intends to improve the ledger coding structure to help demonstrate the reconciliation to the accounts. The Council continue to run all the pension fund account transactions through its ledger. The custodian will still provide the detailed breakdown of the investments, and these will be summarised on the trial balance and will reconcile to the accounts.
2021/22	Low	Within our testing of operating expenditure on repairs and maintenance charges on Council dwellings we identified that there is no formal documentation between the Council and Lewisham Homes to confirm the nightly call out capped charge rates.	Implement a formal agreement setting out nightly capped call out charges for repairs and maintenance jobs undertaken by Lewisham Homes.	Lewisham Homes April-23 when agreement finalised	Discussions have been had between LH and LBL and no evidence can be found about the flat rate agreement for callout. Lewisham Homes proposes that callouts are paid under the same terms as their contractor supply-chain – which is callout including cost of actual work completed. A formal agreement will be put in place.

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The Audit Findings for the London Borough of Lewisham and Lewisham Pension Fund – Year ended 31 March 2022

Action Plan – Audit of Financial Statements – Council

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
2021/22	Low	The Exacom system used to record and track the Section 106 agreements is not fully reconciled to the general ledger. The overall difference between the Exacom listing and the General Ledger Balance in £2.7m.	The Council need to complete their work on reconciling the Exacom system with the ledger.	CIL Team Ongoing work in progress – review May-23 to confirm latest variance	The comprehensive review to reconcile Exacom to the General Ledger is ongoing and an audit of projects from 2010 to date is also being undertaken. The reconciliation process and the recording of payments on the General Ledger/Exacom is also under ongoing review. These actions will continue for 22/23 and 23/24 to provide additional accuracy.
2022/22	Low	The 31 March Altair report to support membership details had not been retained. Officers were not able to run a subsequent report that detailed figures at 31 March 2022.	The Fund should retain the 31 March Membership numbers report.	Treasury & Investments May-23 when reports run & reviewed for accuracy	Membership numbers as at 31 March could not be obtained as new starters had not been set up within Altair. A significant amount of work is required to upload the data which caused delays in processing. The Pensions Team will run membership reports on 31 March going forward. Note this will exclude March data as employers have until 19 th April to provide this. Altair is a live system, so membership data will vary on an ongoing basis.

Recommendation	Impact	Management Comment	By whom	Progress
<p>Financial Sustainability</p> <p>.In the efforts to improve savings performance against target the Council should explore ways to:</p> <ul style="list-style-type: none"> Encourage focused discussion by the PASC on specifically under delivering savings schemes in 2022/23. Undertake public consultation on the savings programme. Learn from successful delivered schemes via post implementation reviews. Savings under-delivery historically has been attributed to the Communities ASC team and therefore finance officers should work directly with that team, in a targeted and collaborative manner, to focus on specific savings that can be generated from high unit cost services within this directorate that are not currently being addressed. Focus on identifying recurring savings which can impact each of the four years of the MTFS. 	<p>Due to the track record of under-delivery of savings in recent years and expected under delivery in 2022/23 close and more frequent attention may be required to the progress of savings schemes in year so that action can be taken in a timely manner to respond to any under-delivering schemes.</p> <p>To maximise the success and achievability the Council could benefit from additional scrutiny and input to identifying savings in the initial savings of budget setting. Performing post-implementation reviews of savings after they have been achieved is a way the Council could ensure lessons are learned and opportunities to make further savings are maximised.</p> <p>Although ASC is a demand led service with high costs being a product of increasing numbers of service users, specific services with Social Care where unit costs are also high could exacerbate the overspends observed in this service. Ensure that savings identified cover the full MTFS term maximises potential savings across the medium term and reduces the pressure to identify additional savings each year by focussing on identifying those which are recurring.</p>	<p>This recommendation is taken in the spirit of continuous improvement and management action will focus on consideration of doing more of the steps already in place. For example:</p> <ul style="list-style-type: none"> PASC will continue to carefully review the financial budget setting and monitoring reports with particular attention to progress with delivering savings. As we do each year, we will continue to consult internally and with the Cabinet Member for Resources and Strategy on the best approach to engagement around Budget proposals, building on the current process of discussing and inviting all Members to contribute to including the option to run a larger public consultation on the savings proposed. The Finance Business Partnering approach will continue to be developed with learning from recent successfully delivery service changes (captured as part of service plan reporting by each Director) and improved with the business intelligence and support using data insights and performance benchmarking to effectively target risk and opportunity. Within the constraint of local government only receiving one year settlements at present, officers will continue to work on the potential for more transformational multi-year savings options learning from the work done in the larger social care services in recent years. 	<p>Executive Director for Corporate Resources</p>	<p>The March PASC meeting is focusing on CSC – a significant overspending and high cost service.</p> <p>The detailed savings and Budget for 23/24 were submitted for pre-scrutiny in public meetings in December and January before being moved for decision.</p> <p>Progress with delivery of savings is included in the monthly monitoring to EMT and quarterly to Members. This includes key performance data for cost drivers. The narrative on exceptions in the monitor is also changing to include an assessment of risk and planned actions.</p> <p>Service planning for 23/24, scheduled for March and April, will include relevant benchmarks and performance indicators to track planned actions.</p> <p>The updated MTFS before Members in July will include a four year view, despite the limited certainty with one year government funding and delayed reforms.</p>
<p>1. The Council should develop a Workforce Plan or Strategy covering all aspects of the future workforce required for the Council to fulfil its priorities and that the Council align</p>	<p>Ensuring the Budget, MTFS and Workforce Plan are complementary of one another will ensure that the future establishment is affordable and</p>	<p>In the context of local authority a single plan or strategy would not be appropriate, given the varied nature of services and the skills required. However, we can identify any common themes identified and build these</p>	<p>Director of HR and OD</p>	<p>The Service Planning template has been updated and the guidance for managers has been strengthened.</p>

Recommendation	Impact	Management Comment	By whom	Progress
<p>this framework to the existing 2022/23 budget, future budgets and MTFS to ensure they are complementary. This will ensure that the future establishment is affordable and Council priorities are met within budget constraints.</p>	<p>Council priorities are met within budget constraints.</p>	<p>into the overarching People and OD strategy which sets out our vision for our people and identifies the areas we need to focus on to achieve our ambitions. Detailed workforce planning takes part in the annual service planning process supported by finance, HR and transformation business partners. The Councils service planning framework encapsulates the areas identified within the audit. We can also seek to strengthen the guidance for managers on service planning as well as the working relationships between the relevant business partners to ensure that these three areas are appropriately aligned. Principles in relation to structural design e.g. spans of control and hierarchy fall outside of service planning, and are covered within the Council's management of change (restructure) policy.</p>		<p>Strategic HR Business Partners meeting with service directors to support this aspect of their planning using workforce metrics and aligned to budgetary position/savings targets.</p>
<p>2. Overall the Council's arrangements to secure financial sustainability are appropriate, the Council may wish to explore ways that it can make iterative improvements to demonstrate best practice financial arrangements. These could include developing actions that could be taken, at a high level, to respond should the 'worst case' scenario included in the MTFS occur and communicating this to Members. This will ensure that the Council can respond in a timely manner should any aspects of that scenario materialise.</p>	<p>The Council made a small deficit in 2021/22 and the 2022/23 financial landscape is forecast to be challenging for the Council and Local Government as a result of Covid 19 challenges not matched by additional funding, rising inflation, pay increases and the cost of living crisis which could all potentially negatively impact the year-end financial position. As such it is important that the Council has robust arrangements in place to monitor finances closely and respond to issues as they emerge.</p>	<p>Officers bring the experience of having been consistently involved in making budget reductions each year since 2010 (gross £230m to date; including £92m reinvested to reshape service delivery and meet demand), working closely with partners in the Borough and across London, and effectively managing the Council's financial security and stability, including the use of reserves. Officers will continue to develop this experience to inform the assessment of the financial risk landscape and update the risk mitigations for these risks quarterly as part of the corporate risk management strategy. The risk register is reviewed by the Executive Management Team and PASC quarterly which will provide the opportunity for actions to be agreed as necessary and scrutinised to ensure lessons and improvements are acted on.</p>	<p>Executive Director for Corporate Resources</p>	<p>Risk register reviewed by the Assurance Board in February and tabled for the Audit Panel in March 2023.</p> <p>New Head of Emergency planning recruited in February and continued rehearsal and self-assessment against the agreed London wide resilience forum standards undertaken annually.</p> <p>The MTFS in July will assess the need for savings in the context of the 22/23 outturn, first monitor of 23/24 and the Chancellor's budget in March.</p>

Recommendation	Impact	Management Comment	By whom	Progress
Governance				
<p>3. The Council should continually review its risk management procedures to ensure they remain effective and fit for purpose. This could include:</p> <ul style="list-style-type: none"> Ensuring that there is a greater level of oversight of the strategic risks impacting the Council by M&C. Updating the format of the strategic risk register. Working collaboratively with Internal Audit to ensure that the 2022/23 audit plan is achievable within the time and resource available. Tracking progress against the Quality Improvement Plan developed by Internal Audit. 	<p>The strategic risk register is a key mechanism for managing risk to the achievement of the Council's strategic objectives and therefore it is important that there is a clear link between those objectives and the risks being faced.</p> <p>To ensure that the risks within the register, supporting actions and scoring remain appropriate it is important it undergoes regular scrutiny at the top tier of the organisation and is included in M&C meeting papers for transparency to the entire organisation.</p> <p>The internal audit plan is key in ensuring an appropriate number and coverage of assurance reviews are undertaken in year to be able to provide an effective opinion on the strength of the Council's controls.</p> <p>The Audit Panel plays a key role in holding Internal Audit to account for their performance.</p>	<p>The refreshed risk management strategy was approved by EMT in November 2022 and will be rolled out in the new year. It includes biannual reporting to the Mayor & Cabinet of the highest risks.</p> <p>Following the publication of the new Corporate Strategy in November 2022 we will refresh the risk register content in 2023 to link to objectives and align with formats in the new Risk Management Strategy.</p> <p>Members approved the 2022/23 Internal Audit plan in March 2022 which includes a resource analysis and flexible options on delivery to support the achievement of sufficient breadth and quality of coverage to deliver a robust audit opinion for 2022/23.</p>	<p>Head of Assurance</p>	<p>Implementation of risk management strategy (including rollout of supporting software) to take place across 2023/24 in parallel to service planning.</p>
<p>4. Overall the Council's governance arrangements are strong and operating consistently in line with Council policies. The Council may wish to explore ways that it can make iterative improvements to demonstrate best practice governance arrangements. These could include:</p> <ul style="list-style-type: none"> Updating financial monitoring reports to include details of actions being taken on overspending services throughout the year. Ensuring that presentation of financial performance to M&C is sufficiently regular. 	<p>Strong governance is the backbone of any organisation and ensuring arrangements are as robust as possible maximises the Council's ability to make well informed decisions.</p>	<p>The Council welcomes the assurance that its governance arrangements continue to be strong and operate in line with policies. Recognising the challenge to continuously improve incremental changes will continue to be made. For example:</p> <ul style="list-style-type: none"> The financial monitoring reports which now flag the variances for key services with detail on service financial performance supported with activity details will be reviewed to include more clarity on next steps being taken. The Council will continue to report on the financial position at least quarterly and keep open the option to report by exception to M&C outside of this cycle if necessary, as was done through the Covid pandemic. 	<p>Director of Finance</p> <p>Director of Finance</p>	<p>The monitoring position has been to M&C as follows:</p> <ul style="list-style-type: none"> 15th June 22 – Outturn 21/22 6th July 22 – Monitoring Period 2 5th October 22 – Monitoring Period 4 11th January 23 – Monitoring Period 7 <p>References within the report to actions being taken to manage demand pressures such as Social Care.</p>

Recommendation	Impact	Management Comment	By whom	Progress
<ul style="list-style-type: none"> • Undertaking effectiveness reviews of their committees to ensure that they are performing effectively against their terms of reference. • Incorporating assessments of financial performance into the appraisals of budget holders. <p>Investigating ways of increasing feedback response to consultations exercises.</p> <ul style="list-style-type: none"> • Ensuring that Members are sighted in the lessons learned from the Financial Software IT Critical Incident. 		<ul style="list-style-type: none"> • The Audit Panel, by the nature of the internal audit standards, is under a specific expectation to review its performance and report on this annually. The second phase of the Constitution review being led by the Monitoring Officer will consider whether a similar approach might be appropriate for the Council's other Committees. • The staff appraisal forms currently have fields for identifying what is being done well and what could be improved based around key objectives. The guidance will be reviewed to assess the benefit of being more specific on financial management, to supplement the detailed expectations set out in the financial regulations and procedures. • Feedback on the Budget and monitoring of the risk registers is part of the quarterly PASC work schedule but, as set out else where we will continue to look to enhance the focus and value of these discussions to generate improvement and delivery more value. 	<p>Monitoring Officer</p> <p>Director of HR and OD</p> <p>Executive Director for Corporate Resources</p>	<p>The first phase of the Review of the Constitution was considered by the Constitution Working Party (CWP), unanimously agreed by Council in November and is now in effect.</p> <p>Phase II of the Review has now commenced. Roundtable sessions have been arranged for information sharing and discussion.</p> <p>The 2023/24 appraisal cycle we will include fields to capture the following specific areas: people management, finance & equalities (where applicable). The appraisal guidance and training will be updated to make clear expectations.</p> <p>The risk register considered at PASC records the actions taken and mitigations implemented. The next financial year audit will review how the incident was handled and considered in the Annual Governance Statement as part of the financial statements.</p> <p>The Monitoring Officer is leading on the second phase of the constitutional review which will include the financial regulations, procedures and schemes of delegation.</p>
<p>5. The Council should explore ways to ensure the maximum benefit is achieved from the non-financial reporting of the Council's directorates. This could be achieved via increased oversight of</p>	<p>Paying equal attention to financial and non-financial performance assists Members in making informed decisions since, in most cases, non-financial underperformance directly</p>	<p>The Council is reviewing its performance reporting to support the new Corporate Strategy adopted by Full Council in November 2022. This will develop relevant non-financial indicators to assess progress on delivery of the corporate objectives.</p>	<p>Executive Director for Corporate Resources</p>	<p>The Chief Executive moved an internal reorganisation at Full Council in January 2023 to give focus to this challenge.</p>

Recommendation	Impact	Management Comment	By whom	Progress
<p>the non-financial KPI performance of the Council's services and directorates by Members and introducing benchmarking into all directorate KPI reports. The Council would benefit from a Council wide benchmarking strategy as opposed to an ad-hoc approach.</p>	<p>impacts the Council's financial position. Comparing performance to similar organisations provides important information to assess if certain services are outliers in terms of their financial and non-financial performance, thereby identifying potential opportunities for improvement. This information is of maximum benefit if applied consistently across the Council.</p>	<p>As recognised, Finance and Service teams have been developing more data insights. This work will continue to ensure it is aligned for financial and non-financial data and include benchmarking where there is consistent and reliable data available.</p>		<p>The next step is a corporate report to be published by April which will then be further developed to reflect the more detailed two year service plan priorities as they are finalised in April / May.</p>
<p>6. Overall the Council's arrangements for securing economy, effectiveness and efficiency are positive. The Council may wish to explore ways that it can make iterative improvements to demonstrate best practice in these arrangements. These could include:</p> <p>Developing an action plan from the findings of the LGA Peer Review to monitor success of the response to the recommendations with oversight from a relevant committee or M&C. There may be scope to incorporate the finding into existing KPI reporting as those structures are already in place.</p>	<p>Paying equal attention to financial and non-financial performance assists Members in making informed decisions since, in most cases, non-financial underperformance directly impacts the Council's financial position. Comparing performance to similar organisations provides important information to assess if certain services are outliers in terms of their financial and non-financial performance, thereby identifying potential opportunities for improvement. This information is of maximum benefit if applied consistently across the Council.</p>	<p>The Council welcomes the assurance that its arrangements for securing economy, effectiveness and efficiency remain positive.</p> <p>The Council did develop an action plan in response to the LGA peer review. Progress against these actions is currently being updated and will be reported on to Members. This is being coordinated by the Cabinet Member for Resources and Strategy.</p>	<p>Chief Executive</p>	<ul style="list-style-type: none"> •The Council's action plan in response to its Corporate Peer Challenge has been published on our website •Each action within this plan has been allocated a Director or Executive Director to lead. •The Council has recorded progress against this action plan, and this has been shared with senior staff and Members internally, as well as with the LGA Peer Challenge Team. •The LGA Peer Challenge Team re-visited Lewisham Council in January 2023, for a review of the progress made against the action plan. In their final feedback to the Council they stated "that the Council continues to be reflective and open to feedback" and "the Council has taken the peer team's recommendations from the full CPC seriously and made real progress in a number of areas." •The final summary letter from the LGA Peer Challenge Team will be published on the Council website in March 2023. •Progress against the action plan will continue to be monitored, and

Recommendation	Impact	Management Comment	By whom	Progress
<ul style="list-style-type: none"> Ensuring that a data policy is finalised as soon as possible. Identifying how the existing governance arrangements can support delivery of the digital programme, once the 2023 Digital Strategy is developed and released. Exploring ways that equal attention could be paid to monitoring the performance of both its key subsidiaries. 		<p>Digital and data strategy and policy improvements – both for services to the Borough and internally for officers' ways of working are being reviewed and improved, including the operation of the Council's leading shared service with the London Boroughs of Brent and Southwark.</p> <p>The reporting and monitoring of the Council's subsidiaries, which includes the main one of Lewisham Homes, will be reassessed as part of the strategic decision currently before M&C on the options for the future of the company with the potential for it to be insourced.</p>	<p>Executive Director for Corporate Resources</p> <p>Executive Director for Housing, Regeneration and Public Realm</p>	<p>where appropriate, actions will be incorporated into service plans.</p> <p>The Council will be insourcing Lewisham Homes, transfer to be complete by 1 October 2023, with some functions being brought back into the Council in advance of that date.</p> <p>The development function was transferred in February 2023, and offers opportunities to reduce duplication of tasks.</p> <p>The Council has also engaged with Government over preparation for the winding down of the PFI in 2027.</p>

Ref	Category	Issue and Risk	Responsible Officer	Management Action
2	Financial Sustainability	Budget Monitoring reports should clearly articulate the underlying causes for the under delivery of savings plans. Actions taken to address under delivery or proposed alternative plans should also be detailed within the report.	Director of Finance	<p>The budget monitoring process monitors the service's financial position to date and forecasts this forward for the rest of the year in comparison to the budget. If the services are under/overspending against the budget this is reported as part of the monthly monitoring report which goes to EMT.</p> <p>Within this report there is a section focussed specifically on savings progress and where services are struggling to deliver savings; finance and the services work collaboratively to find ways to mitigate/deliver them in alternative ways. Any undeliverable savings which cannot be mitigated are included within the reported financial position for each service area with an explanation of what is causing them to not be delivered.</p> <p>A further section in the report covers financial risks which are not within the reported position but may materialise over the forthcoming financial year.</p> <p>Audit Response: Documentation of actions should be reported to Members</p> <p>Further Management Response: The savings tracker goes to EMT monthly and Members at Periods 2, 4, 7 and 12. The budget address savings that cannot be delivered at all and need to be removed from the budget however the view is that the bulk can be delivered in 23/24. The Public Accounts Select committee have requested action plans to be shared and discussed at meetings during 22/23, which has in part led to a Member/Senior officer monthly meeting with regards to the Children's Social Care position.</p>
5	Financial Sustainability	Management have undertaken some sensitivity analysis when setting the 2021/22 budget. Management acknowledges that sensitivity analysis and scenario planning in terms of 'worst case' and 'stress testing' is an area which will need additional work going forward, to model the financial impact of Covid in the longer-term and ensure that plans are in place to make appropriate operational decisions to maintain financial stability.	Director of Finance	<p>The current MTFP process included pessimistic and optimistic cases which effectively stress tested the likely four-year timeframe in considering the budgetary framework and what level of cuts might / would be required.</p> <p>This will continue throughout the year through joint working between budget monitoring, risks and pressures identification, considering the longer term impact of these for future year budgets and therefore adjusting / refining the savings / cuts targets.</p> <p>Audit Response: Recommendation extended to suggest Council to consider applying scenario planning to annual budget as well as MTFP</p> <p>Further Management Response: As part of (but separate to) the MTFP process, the Council will ensure that it undertakes scenario planning/testing for its current annual budget. This will include consideration of scenarios for: legislative changes, demand changes, inflation changes, policy changes. This will assist in the current year monitoring and forecasting and be used to inform the MTFP for possible changes to current year which need to be addressed permanently via the MTFP process.</p>

Appendix G

Auditor's Annual Report (Value for Money) Recommendations for the London Borough of Lewisham – Year ended 31 March 2021

Ref	Category	Issue and Risk	Responsible Officer	Management Action
8	Financial Sustainability	Given the uncertainty of the pandemic and current economic environment a routine re-profiling of the capital programme would be required. This needs to be complemented by detailed reporting on a scheme by scheme basis with detailed explanations explaining slippage that will assist with holding delivery managers to account for meeting project timescales.	Director of Inclusive Regeneration	Revised project highlight summary reporting will provide clearer detail of the performance of capital projects against time, cost and quality. Slippage against profile will be reviewed on a quarterly basis by RCPDB. Audit Response: To be followed up in 2022/23 to ensure actions have been taken. Further Management Response: A revised project highlight format has been devised and is reported against quarterly. Management information is drawn from these reports to assess risk to cost, quality and time across the programme. An annual capital reprofile process has been devised, where updates will be provided twice a year.
12	Improving economy, efficiency, and effectiveness Page 33	The Council should take a corporate approach to identify benchmarking good practice and co-ordinate its use within the services to challenge performance.	Assistant Chief Executive	As part of the Support for Leadership restructure, the role of the corporate Performance Team is to become more focused on strategic reporting, forward planning, benchmarking and good practice. The team is currently in transition towards moving to this model, working with service areas to take ownership over operational performance reporting so the corporate team can focus on strategic reporting and benchmarking. The team will work closely with the wider service areas and Strategic Transformation & OD Business Partners to support services in making use of performance and benchmarking information to identify and improve areas for change. Audit Response: Partially – see 2021/22 recommendations
13	Improving economy, efficiency, and effectiveness	For Lewisham Homes Limited and Catford Regeneration Partnerships Limited, a report on progress against action plans and mitigation strategies should be presented to Mayor and Cabinet on a more regular basis.	Director of Housing and Director of Inclusive Regeneration respectively	This will be actioned. Progress against the CRPL business plan to be reported to Mayor & Cabinet on an annual basis and regularly reviewed by Regeneration and Capital Board. Audit Response: Partially – see 2021/22 recommendations

Agenda Item 4



Audit Panel

Internal Audit Plan 2023/24 and Progress Update

Date: 14 March 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

This report presents the proposed Internal Audit Plan for 2023/24. It sets out the risk analysis that underpins the plan and an assessment on the adequacy of resources available to provide assurance against that analysis. Finally, it sets out how we intend to use the available resources of around 820 days to provide assurance to Senior Management and Members.

The report also includes an update on progress toward completing the 2022/23 audit plan, including the outcomes of completed engagements and action on implementing recommendations.

We ask Members to approve the 2023/24 plan and note 2022/23 plan progress.

Timeline of engagement and decision-making

No previous formal decisions. The plan was developed beginning with a risk assessment completed by the internal audit team early in 2023 and then consulted at each Directorate Management Team and Executive Management Team level ahead of its presentation this evening.

1. Summary

- 1.1. This report sets out the proposed Internal Audit Plan for 2023/24. It sets out the approach to developing the plan, evaluating and using available resources, working towards providing a Head of Assurance Opinion on the Council's governance, risk management and internal control in late Spring 2024.
- 1.2. The report also summarises progress towards completing the 2022/23 audit plan and critical findings so far.

2. Recommendations

- 2.1. We recommend that the Audit Panel:
 - **Approve** the 2023/24 Internal Audit Plan, and
 - **Note** progress on completing the 2022/23 Internal Audit Plan.

3. Policy Context

- 3.1. High quality governance is a crucial component in maintaining a effective and ethical organisation and delivering across the Council's Corporate Priorities as set out in the [Corporate Strategy \(2022-2026\)](#).
- 3.2. Review and approval of the Internal Audit Plan is essential to retain conformance with [Public Sector Internal Audit Standards](#) (the "Standards"). This conformance, in turn, helps ensure the Council fulfils its obligations under the [Accounts and Audit Regulations 2015](#) to undertake an effective internal audit.

4. Background

- 4.1. The Council's [Internal Audit Charter](#) sets out that to establish, maintain and assure the Council's internal audit service has sufficient authority to fulfil its duties, the Audit Panel will approve a risk-based internal audit plan each year.
- 4.2. This plan has been developed by the Head of Assurance (who serves as the Council's [Chief Audit Executive](#)) in conformance with the Standards.

Internal Audit Plan 2023/24

5. Public Sector Audit Standards Requirements

- 5.1. Standards [2010 to 2030](#) set out how the Head of Assurance must compile the audit plan. These Standards are:
- **Standard 2010:** *Establish a risk-based plan consistent with the organisation's goals. The plan must draw on consultation with Senior Management and consider the organisation's strategies, objectives, risks and risk management processes. The plan must be flexible to changes in risk and circumstance throughout the year. The plan must also work towards delivering a year-end opinion...*
 - **Standard 2010.A1:** *The plan must draw on a documented risk assessment, undertaken at least annually and prepared in consultation with Senior Management.*
 - **Standard 2030:** *The [Head of Assurance] must evaluate whether resources are appropriate, sufficient and effectively deployed to achieve the plan. In the public sector, additionally, there is a specific obligation to explain how they have assessed resource requirements and report any concerns to Members.*
- 5.2. Note that on 1 March 2023 the Institute of Internal Audit (IIA) published a [consultation draft](#) on proposed new Standards for Internal Audit. Depending on consultation timescales, it is possible that these new Standards will become effective while we are still working through completing the 2023/24 plan.
- 5.3. The Council's Head of Assurance is also the local government representative on the [Internal Audit Standards Advisory Board](#). In that role, he has followed developments on the new standards closely and can offer Members assurance that the Council's approach to audit planning also conforms to the proposed new Standards.

6. Risk Analysis and Plan Compilation (Standard 2010)

- 6.1. Preparing the plan began with a risk assessment undertaken within the internal audit team in the period around Christmas 2022. The assessment drew on a wide range of sources, including broader sectoral updates such as the [IIA's Risk In Focus 2023](#) document, consultation with colleagues through the London Audit Group and [Local Authority Chief Auditors' Network](#) plus local information such as departmental service plans and prior audit findings.
- 6.2. The risk assessment focused principally on the risk each area posed to the quality of the eventual Opinion on the Council's governance, risk management and internal control. It considered risk in two dimensions:
- **Likelihood:** *How likely is it that the Opinion will be wrong about the service?*

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Considering factors such as the time since last review, extent of work by other assurance providers, service complexity and level of recent change to the service.

- **Impact:** *How badly wrong would the Opinion be if it misjudged this service? Considering factors such as strategic importance, budget size, public profile and the extent to which other areas rely on this service for effective function.*

- 6.3. In a development from previous years, the assessment looked at the full scope of the Council's "audit universe". Historically there have been two areas – key financial controls and schools – which have had the greater focus from internal audit. Being predominantly cyclical rather than risk-based has meant the audit service developing in-depth understand of those areas beyond the level of insight held for services across the Council. Assessing the full "universe" of areas for potential audit examination meant a much wider analysis and is, in part, a response to findings from our External Quality Assessment peer review which reported to this Panel in June 2022. We include a full listing of the "audit universe" in appendix B, including those areas not selected for detailed audit examination in 2023/24.
- 6.4. On completing the risk assessments, we used the Audit Planning module in our market-leading Audit Management Software ([Ideagen Pentana](#)) to help draw up a "longlist" of potential engagements for consideration. This longlist feeds the risk assessment against the length of time since previous audits to determine which areas are due for examination. Because of the previous focus in specific areas above we expected the longlist to be beyond what is deliverable in a single year, and so it proved. We then took this longlist for consultation with Senior Management across the Council to develop the plan presented to Members this evening.
- 6.5. While the plan does not include everything on the longlist it is important to note that, at minimum, every area has been risk assessed and considered in consultations with individual Directorates. Consequently the Head of Assurance can assure Members that the proposed plan (including the intelligence used in its creation) has a sufficiently broad scope to deliver a sound year end Opinion.
- 6.6. We include a full list of planned engagements, plus commentary on expected audit approach, at Appendix A of this report.

7. Resource Analysis (Standards 2020/2030)

7.1. The available resource for the internal audit service for 2023/24 comprises an estimated 820 days. This includes 720 days from the in-house team (described further below) and 100 days of external support. This is an overall increase of 50 days from the 770 days noted in 2022/23. The increase derives principally from increased productivity from the internal team, especially as our apprentices gain experience. Another important driver for the increase is our reduced expectation on relying on (typically more expensive) external support. This was forecast at 210 days in 2022/23, but we decided instead to expand the internal team with an additional apprentice post and reduce reliance on external support to only areas of particular specialism or where necessary to resolve independence conflicts which put work beyond the internal team. The overall (financial) budget for the audit service has not reduced out of line with general Council service efficiency demands.

7.2. These days include not just the audit engagements but the full range of work delivered by the internal audit service. The table below sets out an indicative split between different types of activity (with comparative figures to 2022/23).

<i>Task</i>	<i>2023/24 Plan Days</i>	<i>2022/23 Plan Days</i>
<i>Corporate Audit Engagements</i>	485	415
<i>School Engagements</i>	180	185
<i>Audit Planning & Reporting</i>	25	30
<i>Member Liaison & Training</i>	5	5
<i>Actions Follow-Up</i>	45	55
<i>Contingency & Consultancy</i>	80	80
Total	820	770

Figure 1 Table showing distribution of audit resource days between different tasks, 22/23 and 23/24

7.3. The Standards also require a view on whether the audit service has adequate resources to deliver a robust opinion. There is no objective standard setting out the quality and quantity of resources needed, noting that will always be a judgement considering the size, complexity and risk of the organisation.

7.4. However, we have considered a range of indicators to help guide that judgement. First is the relative resource position of Lewisham compared to other London Boroughs as illustrated below:

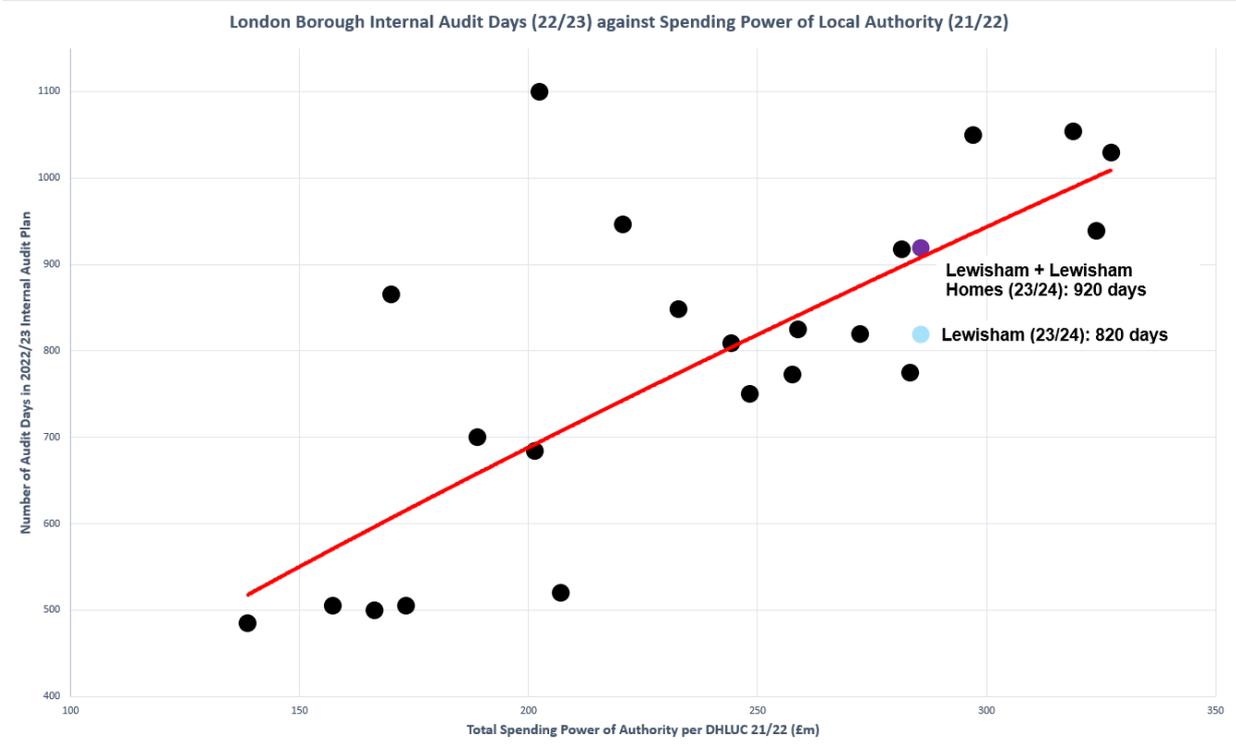


Figure 2 Scatterplot graph of internal audit plan days against size of authority in London

7.5. There is a moderately positive (0.7) correlation between authority size as measured by its spending power and the extent of its audit plan, as shown by the best-fit line on the above. By this measure Lewisham, by itself, is marginally below the ‘expected’ resource. However, adding back Lewisham Homes (which is currently separately audited, see section below) moves Lewisham basically alongside the expected range. This measure provides some assurance that the quantity of resource available for the internal audit service is adequate.

7.6. We must also consider quality as well as quantity, as the Standards explain. At Lewisham we have access to expertise from external firms such as PWC through framework agreements such as CCAS. However, the bulk of our internal audit work is delivered through an in-house audit team structured as set out in the chart below:

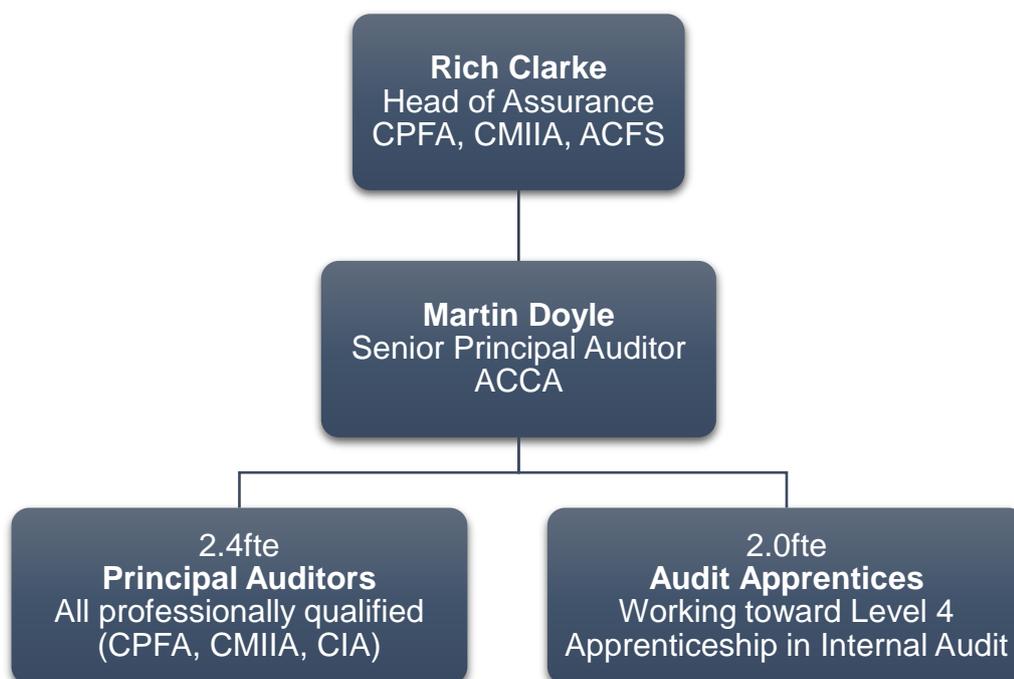


Figure 3 Internal Audit Structure Chart as of March 2023

7.7. Note that all staff in the team are either already professionally qualified or working towards qualifications. Also the team is presently fully-resourced with no vacant posts.

7.8. Taking into account the level of risk, we are content the Council has adequate resources to deliver robust internal audit assurance in 2023/24.

8. Lewisham Homes

8.1. Following the Mayor and Cabinet’s decision in December 2022, we expect during 2023/24 that the internal audit of Lewisham Homes will fall within the Panel’s scope. Currently, Lewisham Homes’ internal audit service is delivered principally through an external contract with TIAA for around 100 days per year of audit support. The Head of Assurance has seen the Lewisham Homes audit plan for 2023/24 and is satisfied that it provides reasonable assurance.

9. Audit Progress Update 2022/23

Internal Audit Engagements

9.1. We have a number of audit engagements underway from the 2022/23 plan. The table below shows a summary of work complete so far and status of work in progress.

Engagement Title	Current Status	Findings/Notes
Contract Management	Final Report	Limited Assurance See Appendix C
Chelwood Nursery School	Final Report	Substantial Assurance 2x Medium-rated findings
Launcelot Primary School	Final Report	Substantial Assurance 7x Medium-rated findings
St William of York Primary	Final Report	Satisfactory Assurance 4x Medium-rated findings
Deptford Green School	Final Report	Satisfactory Assurance 1x High, 5x Medium findings
Forest Hill School	Final Report	Substantial Assurance 1x Medium-rated finding
Child Safeguarding	Assurance Gained	See paragraphs 9.2 – 9.4
Parking Enforcement Contract Monitoring	Planning Closed	Will resume in 2023/24 See paragraph 9.5
Flood Management	Planning Closed	Will resume in 2023/24 See paragraph 9.5
Contain Outbreak Management Fund	Grant Return Certified	Compliant
Test & Trace Support Payments	Grant Return Certified	Compliant
Protect & Vaccinate Grant	Grant Return Certified	Compliant
Universal Drug Treatment Grant	Grant Return Certified	Compliant
Green Homes Grant LA18	Grant Return Certified	Compliant
Adult Weight Management Services	Grant Return Certified	Compliant

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Engagement Title	Current Status	Findings/Notes
Supporting Families Grant	Grant Returns Certified	Compliant
Conisborough College	Draft Report	Final expected March
St John Baptist (Southend) School	Draft Report	Final expected March
Trinity CofE School	Draft Report	Final expected March
Rangefield Primary School	Draft Report	Final expected March
Forster Park Primary School	Draft Report	Final expected March
Wearside Depot Operations	Draft Report	Final expected March
Addey and Stanhope School	Draft Report	Final expected March
IT Asset Management	Draft Report	Final expected March
Elfrida Primary School	Fieldwork complete	Expecting report in April
Greenvale Special School	Fieldwork complete	Expecting report in April
Athelney Primary School	Fieldwork underway	Expecting report in April
Kender Primary School	Fieldwork underway	Expecting report in April
Key Financial Controls Mapping	Fieldwork Underway	Expecting report in April
IT Network Architecture	Fieldwork Underway	Expecting report in April
Voids Management	Fieldwork Underway	Expecting report in April
Adult Safeguarding	Fieldwork Underway	Expecting report in April
Special Needs Commissioning	Fieldwork Underway	Expecting report in April
Air Quality Strategy	Fieldwork Underway	Expecting report in April

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Engagement Title	Current Status	Findings/Notes
Contract Procurement	Fieldwork Underway	Expecting report in May
Perrymount Primary School	Terms of Reference Issued	Fieldwork begins April, report expected May
Bonus Pastor Catholic College	Terms of Reference Issued	Fieldwork begins April, report expected May
Abbey Manor College	Terms of Reference Issued	Fieldwork and reporting expected in May
Stillness Junior	Terms of Reference Issued	Fieldwork and reporting expected in May
Holy Trinity CE Primary	Terms of Reference Issued	Fieldwork and reporting expected in May
Preventative Health Services	Planning Underway	Expecting ToR in March, reporting in May
Food Safety	Planning Underway	Expecting ToR in March, reporting in May
Wholly Owned Company Governance	Planning Underway	Expecting ToR in March, reporting in May
Libraries	Planning Underway	Expecting ToR in March, reporting in May
Elections	Planning Underway	Expecting ToR in March, reporting in May
Bereavement Services	Planning Underway	Expecting ToR in March, reporting in May
Section 106 & Developer Income	Planning Underway	Expecting ToR in April, reporting in May
Counter Fraud	Planning Underway	Expecting ToR in April, reporting in May

9.2. Our review of Child Safeguarding was originally scheduled to begin in January 2023. However, in November 2022, before our work began, Ofsted began an unannounced inspection of the Lewisham Local Safeguarding Partnership. This review published its findings in January 2023 (on [Ofsted's website here](#)).

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- 9.3. The headline finding reported: “Lewisham’s Safeguarding Children Partnership arrangements are well established and becoming increasingly effective. Stability of leadership since 2019 and a shared ambition and determination to drive forward continuous improvement are key factors positively influencing the partnership’s progress in strengthening their ‘front door’ services”.
- 9.4. Noting the broadly positive outcome of Ofsted’s review, and mindful of the officer time expended already in supporting the inspection, we opted to draw assurance from this source rather than pursue a separate internal audit engagement in 2022/23.
- 9.5. Our initial plan acknowledged a conscious expansion in audit scope across the broad scope of Council activity, after a number of years focussed on schools and central financial control compliance. Consequently we we aware of various areas that needed a greater investment in planning before we could pursue a useful audit engagement. For those areas (identified as ‘Type B’ engagements in the original plan) we intended to complete that planning and then, separately, decide on whether to pursue a full engagement in the current year or defer. In 2022/23 we have, after completing planning, decided to defer work on **Parking Enforcement Contract Monitoring** and **Flood Management**.

Completion of Agreed Audit Actions

- 9.6. Our work continues in tracking progress toward completing agreed audit actions. As detailed in the December update, much of our focus in the autumn was reviewing the significant stock of aged actions to assess their continuing relevance to improving the Council’s controls. As a result, a number of aged and duplicate actions were removed from tracking, leaving only those with a notable impact on improving control processes. The information below sets out the position at 28 February on overdue actions. Overdue actions represent 15% of actions agreed since 2021/22 – a significant drop from previous years. Note that the “due date” is taken to be the date agreed in the published final report.
- Total Outstanding Non-school Actions: **45** (of which 15 High-rated, 30 Medium)
 - Total not yet due: **5** (of which 1 High-rated, 4 Medium)
 - Total overdue: **40** (of which 14 High-rated, 26 Medium)
 - Total overdue by >1 year: **27** (of which 11 High rated, 16 Medium)

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- Note that these largely relate to year-end processes where the next chance to demonstrate completion will come in March 2023. We expect all these actions will resolve before the Panel next meets.
- Total overdue by 6 months to 1 year: **6** (of which 2 High-rated, 4 Medium)
- Total overdue by <6 months: **7** (of which 1 High-rated, 6 Medium)

9.7. We are satisfied that compensating controls, including closer monitoring, are currently effectively mitigating risks associated with overdue actions. Nevertheless, action owners have advised that all outstanding actions will be resolved before the end of May this year. We will report to Members of the Panel in our Annual Report on progress against that assurance.

10. Financial implications

10.1. The audit plan set out in this report will be delivered within existing agreed budgets.

11. Legal implications

11.1. Agreement of an Annual Internal Audit Plan supports the Council in demonstrating compliance with the Accounts & Audit Regulations 2015.

12. Equalities implications

12.1. There are none arising direct from this report.

13. Climate change and environmental implications

13.1. There are none arising direct from this report.

14. Crime and disorder implications

14.1. There are none arising direct from this report.

15. Health and wellbeing implications

15.1. There are none arising direct from this report.

16. Background papers

16.1. Background papers are hyperlinked through the document.

17. Report author(s) and contact

17.1. Rich Clarke, Head of Assurance. Telephone 020 8314 8730.

18. Appendices

18.1. Appendix A – List of Proposed Audit Engagements 2023/24

Appendix B – The Audit Universe

Appendix C – Summary report into **Contract Management**.

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Appendix A: List of Proposed Audit Engagements 2023/24

The listing below sets out the titles of proposed engagements on the 2023/24 audit plan. We will develop each into a detailed Terms of Reference in consultation with the service during the engagement planning phase.

Chief Executive's Directorate (5)	
Starters & Leavers	Staff Performance Management
Resilience Planning	Statutory Enquiries (e.g., Fol, SAR)
Corporate Communications	
Children & Young People Directorate (6)	
Business Infrastructure, Compliance & Education Operations	Special Educational Needs and Education and Healthcare Plans [note 2]
Schools HR Services	Virtual School
CYP Assurance Mapping [note 1]	Access and Inclusion
Community Services Directorate (5)	
Community Development	Sports & Leisure
Licensing	Tree Maintenance
COM Assurance Mapping [note 1]	
Corporate Resources Directorate (9)	
Corporate Budget Setting & Savings	Corporate Performance Management
Accounts Payable [note 3]	Accounts Receivable [note 3]
Insurance Claim Management [note 4]	IT Network Security Assurance Mapping [note 1]
IT Support	Register Office
Facilities Management	

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Housing, Regeneration & Public Realm Directorate (9)	
Economic Development: Jobs & Skills	Planning Applications
Highways Management	Home Improvement Grants
Street Cleansing	Parking Enforcement
Housing Delivery Programme	Flood Management
Building Control	
Schools (14)	
Marvels Lane Primary	Adamsrill Primary
Edmund Waller Primary	Holbeach Primary
Kilmorie Primary	St Michael's CE Primary
Sydenham Secondary	Watergate School
St Saviour's Primary	St Bartholomew's Primary
Ashmead Primary	St James Hatcham Primary
Drumbeat School	Brindishe Federation [note 5]

[Note 1]: For several areas, we are aware that various other external assurance providers (e.g., OfSted) work in the same space. Our aim for these engagements will be to map the frequency, scope and results of these external assessments with the aim of presenting a fuller assurance picture to the Panel at year end.

[Note 2]: This engagement will lead on from analysis currently underway led by external consultants.

[Note 3]: These engagements will lead on from work currently underway to create a comprehensive map of financial system controls. While they are labelled “accounts payable” and “accounts receivable”, we expect the detailed scope to feature a broader focus on money leaving and arriving at the main financial system.

[Note 4]: As the Head of Assurance is operationally responsible for the insurance team, we expect to engage an external supplier for this work.

[Note 5]: Engagement expected to cover all three schools in the Federation.

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As noted in the main report, our planning approach for 2023/24 has emphasised looking at the breadth of the Council’s operations, moving away from a focus narrowly on finance and schools. The chart below tracks the development of that broader approach over the past two years.

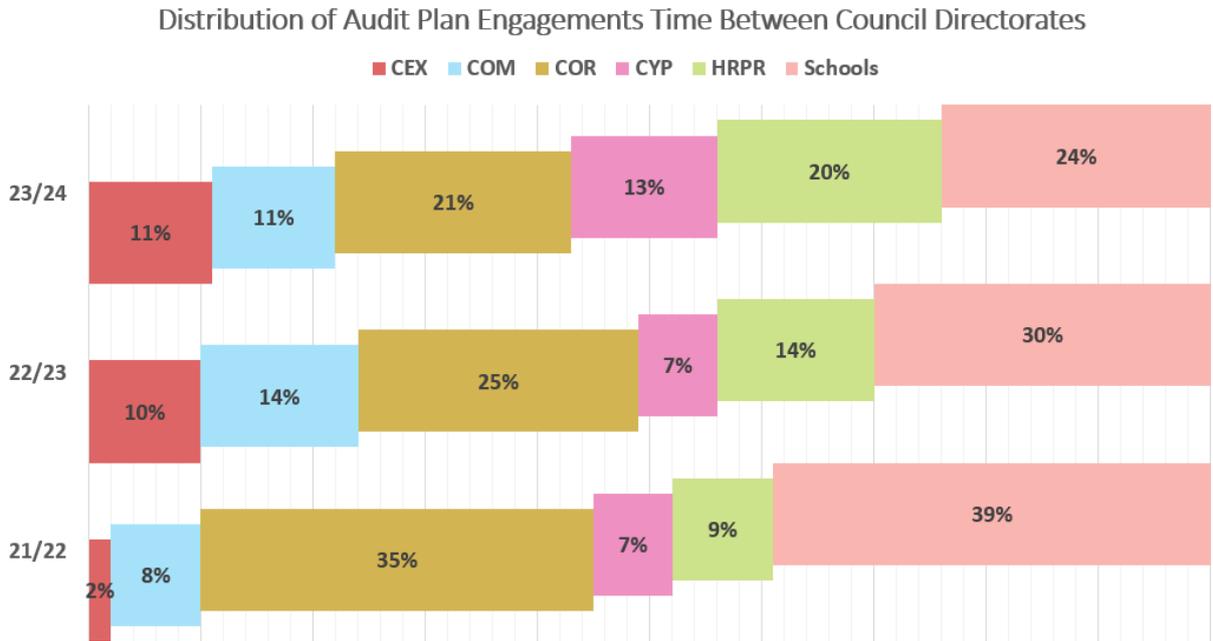


Figure 4 Percentage of audit engagement time dedicated to each directorate, 2021/22 to 2023/24

Also note this engagement list only includes work undertaken under the Standards that will result in an output report. We also typically complete a range of tasks such as certifying Government Grants and other advisory work.

Appendix B: The “Audit Universe”

The table below shows the full list of areas that were subject to risk assessment in preparing this plan. In many cases we have not scheduled a full engagement in 2023/24 because of recently having completed work in that area. Also, in planning engagements, we are sensitive to not overwhelming individual areas, so will typically schedule no more than two engagements a year reporting to the same audit sponsor.

We will keep the risk assessment under review as the year progresses, potentially adapting the plan to developing issues. We will advise the Panel of plan changes as part of routine updates. As set out in the Audit Charter, we will discuss any significant changes in advance with the Panel Chair (or the full Panel, as circumstances allow).

We also keep the “Audit Universe” under review. This listing represented our understanding as of Christmas 2022 and will vary over time as the Council develops. The list below **highlights** those areas with proposed engagements in 2023/24.

Service Area	Auditable Processes
Chief Executive’s Directorate	
Law & Corporate Governance (7)	Company Governance, Democratic Services, Elections, Information Security, Legal Services, Resilience Planning, Statutory Enquiries
Communications & Engagement (1)	Corporate Communications
People & Organisational Development (4)	HR Policy, Staff Performance Management, Starters & Leavers , Training & Development
Children & Young People Directorate	
Children’s’ Social Care (3)	Corporate Parenting, MASH Referrals & Assessments, Safeguarding
Education Services (7)	Access & Inclusion, Business Infrastructure & Education Operations , Lewisham Learning, School Support Services, Schools HR, SEND, Virtual School
Families, Quality & Commissioning (4)	Commissioning, Early Years, Family Support, Youth Offending Team

Service Area	Auditable Processes
Community Services Directorate	
Adult Social Care (4)	Adult Learning, Adult Learning Disabilities, Adult Social Work, Safeguarding
Adults Integrated Commissioning (3)	Integrated Commissioning, Integrated Neighbourhoods, Mental Health
Communities, Partnerships & Leisure (8)	Bereavement Services, Community Development , Culture, Library & Information Services, Licensing , Parks, Sports & Leisure , Tree Maintenance
Public Health (2)	Commissioning, Public Health
Corporate Resources Directorate	
Assurance (5)	Corporate Health & Safety, Counter Fraud & Corruption, Enterprise Risk Management, Insurance , Internal Audit
Finance (10)	Accounts Payable , Accounts Receivable , Assets & Capital Accounting, Banking & Treasury, Budget Setting , Contract & Supplier Management, Directorate Budget Management, Main Accounting System, Payroll & Pensions, Procurement & Commissioning
IT & Digital Services (6)	Corporate Performance Management , Digital Project Management, IT Asset Management, IT Network Security , IT Support , Programme Management
Residents & Business Services (8)	Business Rates, Complaints, Council Tax, Facilities Management , Fleet Management, Passenger Services, Register Office , Resident Support
Housing, Regeneration & Public Realm Directorate	
Housing Services (4)	Home Improvement Grants , Homeless Needs, Private Landlord Licensing, Voids Management
Inclusive Regeneration (5)	Building Control , Capital Programme Delivery , Climate Change Resilience, Economic Development , Flood & River Management

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Service Area	Auditable Processes
Planning (5)	Developer Contributions, Land Charges, Planning Applications , Planning Enforcement, Strategic Planning
Public Realm (8)	Air Quality, Fleet Management, Food Safety, Highways Management, Parking Enforcement , Street Cleansing , Transport Planning, Waste Management
Schools	
Nursery Schools (2)	Chelwood, Clyde
Primary Schools (43)	Adamsrill , All Saints, Ashmead , Baring, Beecroft Garden, Coopers Lane, Dalmain, Deptford Park, Dowderry, Edmund Waller , Good Shepherd, Holbeach , Holy Cross, Holy Trinity, Horniman, John Ball, John Stainer, Kelvin Grove, Kender, Kilmorie , Launcelot, Marvels Lane , Myatt Garden, Our Lady & St Philip Neri, Perrymount, Rathfern, Rushey Green, Sandhurst, St Augustine's, St Bartholomew's , St James Hatcham , St John Baptist, St Margarets Lee, St Mary's, St Michael's , St Saviour's , St Stephen's, St William of York, St Winifred's, Stillness Infant, Stillness Junior, Torridon, Twin Oaks
Secondary Schools (7)	Addey & Stanhope, Bonus Pastor, Conisborough, Deptford Green, Forest Hill, Sydenham , Trinity
Special Schools (6)	Abbey Manor, Brent Knoll, Drumbeat , Greenvale, New Woodlands, Watergate
Federations (7)	Brindishe , Eliot Bank & Gordonbrock, Fairlawn & Haseltine, King Alfred, Leathersellers, Oakbridge, Phoenix

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Appendix C – Contract Management Summary Report



Assurance Service: Internal Audit Final Audit Report

2022/23
Audit Plan
Report #2

Contract Management

Limited Assurance

- Review of controls across the Council following July 2021 Framework.
- Weaknesses in contract administration and updating and using central monitoring.
- Need to strengthen control compliance to support comprehensive central oversight.

Engagement Timeline



Key People

Lead Auditor	Personal data redacted
Audit Review	
Client Sponsor	

Findings and Actions Summary		
	# Findings	# Actions
High Severity	2	2
Medium Severity	3	3
Low Severity	2	2

Next Steps: Significant Actions Agreed Completion Dates

By 31 March 2023	<ul style="list-style-type: none"> • Issue revised data protection guidance
By 30 June 2023	<ul style="list-style-type: none"> • Investigate options for central contract store • Guidance for new managers
By 30 September 2023	<ul style="list-style-type: none"> • Automated system for collating Annual Health Check responses

Agenda Item 5



Audit Panel

Corporate Risk Register Update Q3 2022/23

Date: 14 March 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

This report updates the Audit Panel on the Council's Corporate Risks, as detailed in the Corporate Risk Register for the quarter ending 31 December 2023.

The report also advises the Audit Panel on progress on the developing Enterprise Risk Management approach at the Council. This includes, at Appendix B, the Risk Management Strategy for 2023-27, replacing the 2017-22 edition last seen by the Panel in June 2021.

Audit Panel are recommended to **note** the Corporate Risk Register and the Risk Management Strategy 2023-27.

Timeline of engagement and decision-making

The Corporate Risk Register is updated by risk owners through the year.

The Risk Management Strategy 2023-27 was approved by the Council's Executive Management Team in late November 2022 and will be implemented during 2023.

1. Summary

- 1.1. The Corporate Risk Register, detailed in Appendix A, has had minor updates since its Q2 iteration but no substantial change. We are expecting more significant changes in 2023 when we revisit the Register in full as part of implementing the new Risk Management Strategy.
- 1.2. The Risk Management Strategy, set out in Appendix B, details a refreshed approach to risk management at the Council. In particular it seeks to streamline administration of risk to focus on content, as well as expanding reporting channels to include consistent routine reports to EMT and Mayor & Cabinet on key risks.
- 1.3. A core improvement to risk management in 2023 will be using for the first time dedicated software tools. We have now selected a supplier and will be implementing the package in the early part of 2023/24.

2. Recommendations

- 2.1. The Audit Panel are recommended to:
 - **Note** this Corporate Risk Register
 - **Note** the Risk Management Strategy 2023-27

3. Policy Context

- 3.1. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's [Corporate Strategy \(2022-2026\)](#):
 - Cleaner and Greener
 - A Strong Local Economy
 - Quality Housing
 - Children and Young People
 - Safer Communities
 - Open Lewisham
 - Health and Wellbeing
- 3.2. The report supports each priority as part of establishing and maintaining sound governance throughout the Council.

4. Corporate Risk Register and Risk Management Strategy

- 4.1. The Corporate Risk Register in this report is the penultimate iteration identified and managed in line with the Council's Risk Management Strategy 2017-22 as reported to Audit Panel in June 2022.
- 4.2. The risks set out in the Register are updated as required by risk owners throughout the year. The Q3 Register at Appendix A shows no significant change from the Q2 edition, save some updates to actions.
- 4.3. The Council's Executive Management Team (EMT) approved a new Risk Management Strategy for 2023-27 in late November. This new Strategy, included in full at Appendix B, takes a more streamlined approach to risk management with the aim of supporting an agile, flexible Register that can be more comprehensive to risks at all levels of the Council as well as easily updated to reflect changing circumstances.
- 4.4. The full operational launch of the new Strategy will be alongside the Council's routine Service Planning round in Spring 2023. We will then take the identified operational and project risks information to help support a full refresh of the Corporate Risk Register in late Spring/early Summer. This will in turn lead to beginning the routine reporting approach set out in the Strategy in late Summer/early Autumn. That reporting approach retains the Audit Panel's role in receiving quarterly risk updates, but adds provision to include deeper information on significant operational and project risks too.

5. Financial implications

- 5.1. Following a competitive procurement exercise, we have selected a software product for supporting development of the Risk Management Strategy. Subject to final contract award, we expect to start reporting using this software in early 2023/24. The annual recurring cost of the software is less than £10k and will be met from within existing budgets.
- 5.2. There are no other financial implications arising from this report.

6. Legal implications

- 6.1. There are none arising direct from this report.

7. Equalities implications

- 7.1. There are none arising direct from this report.

8. Climate change and environmental implications

8.1. There are none arising direct from this report.

9. Crime and disorder implications

9.1. There are none arising direct from this report.

10. Health and wellbeing implications

10.1. There are none arising direct from this report.

11. Background papers

11.1. All relevant background papers are included as appendices or hyperlinks within.

12. Report author(s) and contact

12.1. Rich Clarke, Head of Assurance. 020 8314 8730

13. Appendices

13.1. Appendix A: Corporate Risk Register, Q3 2022/23

13.2. Appendix B: Risk Management Strategy 2023-27

Appendix A: Corporate Risk Register

Risk Matrix – Q3 2022/23

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

Risk Listing – Q3 2022/23

Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Notes
			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	
1.B.1	Non-compliance with health & safety	Chief Executive's	4	4	16	2	3	6	
2.A.3	Non-delivery of transformational change	Chief Executive's	5	3	15	5	2	10	
4.A.2	Global commodity price increases/supply chain shortages	Corporate Resources	3	5	15	3	2	6	
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	

Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Notes
			Imp	Lik	Score	Imp	Lik	Score	
4.B.2	Delivery of Building for Lewisham fails	Housing, Regeneration & Public Realm	4	3	12	4	2	8	
5.A.2	Unforeseen spending/loss of income from funding streams	Corporate Resources	4	3	12	3	2	8	
2.A.1	Adequacy of internal control	Corporate Resources	4	3	12	4	2	8	
5.A.3	Loss of income - debt collection	Corporate Resources	3	4	12	3	1	3	
5.B.1	Failure to contain impacts of emergency	Corporate Resources	5	2	10	4	2	8	
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	
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	

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Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Notes
			Imp	Lik	Score	Imp	Lik	Score	
4.B.1	Failure to manage performance leads to service failures	Chief Executive's	2	3	6	2	2	4	
5.B.2	Contain impacts of COVID-19 and deliver service	Chief Executive's	3	2	6	3	2	6	
3.A.2	Maintain sufficient management capacity & capability	Chief Executive's	3	2	6	3	2	6	
1.A.1	Information governance failure	Corporate Resources	3	2	6	3	2	6	
2.B.1	ICT not fit for purpose/does not meet business needs	Corporate Resources	3	2	6	4	1	4	
Current Low Risks									
2.A.4	Elections not conducted efficiently or effectively	Chief Executive's	5	1	5	4	1	4	

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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)	
Med (3)	6-20%	Reasonable chance	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.	£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 standing in community	£2.5m - £5m
Medium (3)	Injury to an individual, immediate hospitalisation	Major effect to important service. Disruption 2-3 days. 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. Resource diversion less than 20%	Negative local publicity	£250k - £500k

As set out in Risk Management Strategy 2017-2022

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Risk & Action Listing – Q3 2022/23

Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
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 to all staff Regular Reporting and revised policy Information asset & security audits	(none required, risk on target)	n/a
1.A.2	Governance in service change	8 (8)	4 (4)	2 (2)	YES ⇒	Director of Law, Governance & Elections	Corporate Programme Management Office Finance training for members & officers Themed budget approach	(none required: risk on target)	n/a
COMPLY WITH THE LAW: Regulatory									
1.B.1	Non-compliance with Health & Safety regulations	16 (6)	4 (3)	4 (2)	NO ⇒	Chief Executive	Directorate & Corporate working groups H&S training programme Risk assessment & audit programme	Revise corporate H&S manual Revised policies	Q4 22/23 Q4 22/23

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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	(No major measures scheduled before risk register update)	n/a
							Borough Resilience Forum Flood Plan		
							Air Quality plan and monitoring board. Flood risk strategy.		
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	(None scheduled)	n/a
							Oracle project		
							Liquid logic control processes and revised control account approach		

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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 statute	Improvement programme including embedding Signs of Safety	Q4 22/23
							LCS system redesigned to improve management		
							Weekly critical safety panel reviewing Quality Assurance and performance framework		
2.A.3	Strategic programme for transformation does not deliver	15 (10)	5 (5)	3 (2)	NO ⇒	Director of IT & Digital Services	Organisational Development Strategy & Project Mgmt Offic	Portfolio approach in line with corporate strategy & recruiting programme management resource.	Q4 22/23
							Strategic change boards		
							Building focus and capacity		
2.A.4	Elections not conducted in line with law	5 (4)	5 (4)	1 (1)	NO ⇒	Director of Law, Governance & Elections	Overall project plan Extensive staff training and engagement	(None)	(N/A)

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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	None scheduled	N/A
							Safeguarding adults policy and procedures ensuring Care Act compliance		
							SAR Board with governance arrangements and referral process		
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 Triage process	Rolling capital investment programme to replace infrastructure	Annual updates, next Q4 2022/23
							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	Q4 22/23
							Cyber Strategy & response policy approved		
							Online backups and disaster recovery testing		

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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 ⇒	Head of HR	Refreshed people management including employee assistance Extended union engagement and staff networks Pulse surveys across a diagonal slice of staff	Staff survey action planning	Q4 22/23
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 OD Strategy in place	(None, risk at target)	N/A
3.A.3	Pace of change negatively impacts service delivery and employee morale	12 (12)	4 (4)	3 (3)	YES ⇒	Head of HR	Regular staff and management communications from CEX Together Lewisham Staff Network & Leading Together Lewisham New appraisal process launched	Develop People Management Strategy	Q4 2022/23

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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	None currently planned	N/A
							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	Q4 22/23
							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	Q4 22/23
							Social Value reporting		

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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
							Contract Compliance checklist	Additional team recruitment	Q4 22/23
4.A.2	Global commodity price increases or supply chain shortages	15 (6)	3 (3)	5 (2)	NO ⇒	Executive Director of Corporate Resources	Monitoring prices through contract management framework Using variation clauses as required Market engagement and benchmarking	Review supply chain specifications and seek alternatives where possible	Monthly financial reporting
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 One Council approach to collaborative work Reporting to EMT	Embed programme and project mgmt approach New corporate performance dashboard	Q4 22/23 Q4 22/3
4.B.2	Building for Lewisham programme fails to make full use of	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.	Annual financial assumptions review	Q4 22/23

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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
	available funding streams and/or exceeds financial parameters						Monitoring KPIs for Shared Ownership Sales and Quarterly financial reviews. Sensitivity analysis inc. reviewing other LAs		
4.B.3	Failure to meet housing standards	9 (6)	3 (3)	3 (2)	NO ⇒	Director of Housing Services	<p>LBL Self-Referral to the Regulator following issues highlighted by ITV programme.</p> <p>Closely monitoring Lewisham Homes Updated clienting, including KPIs and quarterly monitoring.</p>	Lewisham Homes integration ongoing	Late 2023
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	<p>Audited financial statements, MTFS, regular reserves and provisions monitoring.</p> <p>Financial planning addressing pressures and balanced budget.</p> <p>Comprehensive financial planning.</p>	<p>Continued in-year savings plans</p> <p>Monitor local government finance changes</p>	<p>Rolling, but review Q4 2022/23</p> <p>Q4 2022/23</p>
5.A.2	Lack of provision for unforeseen	12 (6)	4 (3)	3 (2)	NO ⇒	Executive Director of	Expert valuations of pension fund and insurance provisions	Monitoring large income streams	Rolling, but review Q4 2022/23

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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
	expenditure or loss of income from funding streams					Corporate Resources	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 Additional resource for debt collection team LL and Controc systems aligned	(None)	N/A
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

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Ref	Risk Title	Current Risk & (Target Risk)	Current Impact (Target)	Current Likelihood (Target)	On Target? Travel	Risk Owner	Major Current Controls	Future Measures	Future Measures Date
5.B.2	Failure to effectively contain ongoing impacts of Covid-19	6 (6)	3 (3)	2 (2)	YES ⇒	Chief Executive	Covid risk register, reviewed by multi-agency partnership with established sub groups	(None)	N/A
							Service priorities determined and planned.		
							Ongoing monitoring and connection to London situation reporting		

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Risk Management Strategy

2023 - 2027

Policy Statement and Introduction

Risk management is the process we use to identify, evaluate and control the risks we face. By having arrangements in place to identify, report and manage our risks we increase the chances of achieving our objectives, seizing opportunities and reducing the chance of failure. Effective risk management will increase our ability to cope with the continuing changes in local government; helping us anticipate, plan for and react to those changes.

This Risk Management Strategy builds on previous strategies published by the Council (2013-17 and 2017-22) but constitutes a fresh look at how we manage risk.

It aims to reflect the principles of best practice in risk management as set out in the [HM Government Orange Book](#) and by the [Institute of Risk Management](#). However, it also aims to set out a pragmatic and efficient approach to risk management tailored to meet the demands, expectations and capacity of the Council. It aims to work through lean procedures, using process and administration to support insightful and effective analysis of risk to support the Council in making effective and well-governed decisions.

Objectives

Our objectives for this Risk Management Strategy are in line with the key principles set out in the Orange Book.

- For Risk Management to be an essential part of **governance and leadership** at the Council, part of how it is directed, managed and controlled at all levels.
- To be an **integral** part of supporting decision making in achieving objectives.
- To be **collaborative and informed** by best available information and expertise.
- To be a **structured** process, involving risk identification and evaluation, selection and implementation of appropriate risk treatment options, deliver integrated, insightful and informative monitoring and timely, accurate and useful reporting to enhance the quality of decision-making in governance.
- To be **continually improved** through learning and experience.

Measures

We intend for this Strategy to grow, evolve and develop during its lifespan. All associated forms and documents will actively seek feedback from users, ranging from operational staff managing and identifying risks to Senior Leaders digesting the reported outputs. We will reflect on this feedback as part of our Annual Governance Statement and may adapt and refine the Strategy and associated procedures over time depending on how well we are fulfilling our risk management objectives.

We will also commission at least once during this Strategy's lifespan an independent internal review on its operational effectiveness. We will also consider the findings of our external auditors as part of their [Value For Money Conclusion](#).

Risk Management Procedures

Risk management is a continuing process which exists at the heart of successful management. It aims to support continued vigilance on the possible future events that might threaten our ability to achieve objectives. When applied successfully, it will minimise the chances of those events occurring and leave us better placed to deal with the results even if they do.

The Risk Management process contains four basic steps: Identifying Risk, Risk Evaluation, Responding to Risk and Monitoring & Reporting Risk. This guide goes through each in turn. Templates and examples are available to help you as you capture and assess your risk. This procedure guide assumes no prior or expert knowledge of risk management and can be used in full or in part based on experience. We include sources for further help and advice later in the document.

The chart below shows a basic overview of the Risk Management process.



Identifying Risk

Clarifying Objectives

A risk is a possible future event that could affect the achievement of your objectives. So, before you can assess what stands in your way you need to know which way you are going. What are your objectives?

What are you seeking to achieve? By when? Who is responsible for achieving them?

Risk management should fit in with and support your objectives everywhere in the Council. Clarifying your objectives will allow a greater understanding of and insight into the events that might impede you from their achievement. Clearly setting objectives will also reveal links to internal and external stakeholders you will need to rely on as well as external factors that might alter your course.

Risk Identification

The aim of risk identification is to find and articulate the uncertain events that could impact your objective. It may be helpful to think about this periodically, for example during service planning. But the Council’s circumstances are constantly changing so there is never a wrong time to think about what risks you face.

Common techniques for risk identification include horizon scanning, brainstorming, workshops and facilitated discussions. You might also find it helpful to reflect on questions like these:

- If in a year we haven’t achieved the objective, why not? What might have stopped us or slowed our progress?
- What could realistically go wrong?
- What do we need to happen to achieve this objective?
- Do we depend on others to succeed?

We have produced a [web form to help guide you through the process of identifying and evaluating risks](#). The form is reproduced as appendix 1 of this Strategy, and should take around 5 minutes to complete.

Remember that we are thinking about possible future events. Issues that currently consume our time and agenda are not, typically, recorded as risks. The table below gives some examples:

Example Objective	Potential Risk Statement	Is this a risk?
“To provide the best services resources allow”	“We fail to provide the best services resources allow”	This is simply stating the opposite of the objective, rather than describing an event.
	“The public are dissatisfied with Council services”	This is a statement of the potential impact of failure, not a risk event in itself.
	“Reduced numbers of suitably trained and available staff”	This is a risk we can control, for example by a recruitment and training strategy.
	“The Government has reduced our funding”	This has already happened and so is an event being managed. Risks always look ahead, involving at least some uncertainty on if the event happens.
	“The Government sharply reduces future funding”	This is a risk where we have little control but can assess its likelihood and make contingency plans to manage the impact.

When articulating a risk you may find it helpful to use the format: “Because of **[cause]**, **[risk event]** could occur meaning **[consequence]**”. For example: “**Government policy changes** could result in a **sharp reduction in future funding** leading to a **reduced quality of service**”.

Opportunity Risk

Sometimes the Council might deliberately take a risk to help support its objectives. These risks are often commercial or service transformational risks that we take in expectation of achieving a positive return. These are the type of risk with potential to enhance our achievement of objectives.

As well as thinking about the events that could threaten achievement of objectives you should also consider and articulate where there are opportunities that could accelerate or support success.

In time, we hope to develop this Risk Management Strategy to fully support documenting and managing opportunities, including through parallel reporting. At present, though, we are documenting these events as risks, meaning they will usually be articulated in risk registers as: “failure to achieve opportunity [X]”.

Risk Ownership

Once identified, it is important that a named officer **owns the risk**. This is the officer who will have principal responsibility for monitoring its course and tracking actions in response. Risk ownership does not mean that individual must personally carry out all actions in response. Rather the role is aimed at ensuring there is appropriate oversight of the risk to help make sure we can monitor its progress and the success of related actions.

Ideally, the risk owner will be someone closely involved in delivering the area of the business where the risk arises.

Risk Triggers

You should consider what **risk trigger** events or early warning signs might precede the risk happening, or increase its likelihood or impact. This will give you an indication of what circumstances should prompt you to think about the risk. It might include events such as the departure of key staff, changes to regulation or seeing similar but lower-impact events happening elsewhere.

Risk Consequences

You should also document the **risk consequences**. This is setting out, using a reasonable worst-case mindset, what the most significant effects will be if the risk event happens. Might it cause an identifiable financial loss? Damage to property? Health and safety impact? Reputational damage? You should aim to quantify these potential effects wherever possible, even if only as part of a possible range.

Current and Planned Controls

Include a brief summary of the major controls currently in place to help manage this risk, and any known or planned changes. We will consider risk response in more detail later in this strategy.

Risk Evaluation

Once the risk is identified the next step is to understand its relative importance. This section sets out the Council’s approach for evaluating and scoring risks.

Perspective

First, we must consider from what perspective we are evaluating this risk. An event can pose a substantial, existential threat to an individual project or service while not materially impacting the Council as a whole.

The Council’s risk reporting uses three distinct perspectives to evaluate risk:

- **Corporate:** Risk events that directly and materially threaten the achievement of Corporate objectives. These will usually be significant events that will often impact multiple services across the Council.
- **Service:** Risk events that primarily threaten the achievement of service objectives. These will typically impact individual services or discrete sections of the Council’s business.
- **Project:** Risk events that primarily threaten the success of an individual project or workstream within a service.

Likelihood

This is a view of how likely it is that the risk will occur. In other words, the probability that it will materialise and become an event that the Council will need to manage.

As this is an exercise in attempting to forecast the future it will fundamentally be a matter of professional and expert judgement. However, you might want to consider evidence such as the frequency of similar occurrences in the past, or elsewhere.

The Council uses a five-point ‘flag’ scale to record likelihood based on a view of the event’s probability. You should select the point in scale that best corresponds to your view of how likely it is the event will happen **in the next 12 months**, bearing in mind the controls currently in place.

Likelihood Rating	Meaning
🚩 🚩 🚩 🚩 🚩 (5)	Probable, around a 1 in 2 chance
🚩 🚩 🚩 🚩 (4)	Possible, around a 1 in 10 chance
🚩 🚩 🚩 (3)	Unlikely, around a 1 in 50 chance
🚩 🚩 (2)	Very Unlikely, around a 1 in 250 chance
🚩 (1)	Extremely Unlikely, around a 1 in 1,000 chance

Impact

This is a view of how severe the effects will be if the risk event occurs, bearing in mind the controls currently in place. In other words, if the forecasted event actually happens then what will be the effect?

This is also an exercise in forecasting and we ask people to consider a **reasonable worst-case scenario**. You need not catastrophise and consider everything that could possibly go wrong, but should think about likely impacts. Where you believe the impact range is very large, such as ranging between three or more levels, you might want to consider articulating two or more different risks (e.g. having “Serious accident” as a separate risk to “Minor accident”).

The Council uses a five-point scale to record impact. It is important to judge impact based on the risk perspective identified earlier. For Corporate risks record the impact on the Council, for Service risks the impact on the service and Project risks the impact on the individual project. You should choose the impact level that best corresponds to your view on the reasonable worst-case effects of the risk event materialising.

Impact Rating	Meaning
5	Highest impact , will effectively prevent progress toward objectives until the risk event is resolved.
4	Large impact , will temporarily stall or seriously impair progress towards objectives until resolved.
3	Moderate impact , will allow continued progress toward objectives until resolved.
2	Small impact , will divert resources and provide some limitations but not likely to significantly impact material achievement of objectives.
1	Lowest impact , will temporarily divert resources but likely cause no significant lasting impact on objectives.

Risk Types

You should consider primarily the size of the effect rather than its nature. That is, the nature of one risk or objective might mean financial consequences are more damaging but for another risk the service impact might be more serious. However, it is useful to reporting to understand something of the types of impacts that a risk materialising might prompt.

The risk reporting form therefore asks you to rank the following risk effects, from the most significant to least significant.

- **Financial Loss:** Where there is a significant financial cost arising from the risk event happening, including instances where the event costs us the opportunity for income.
- **Health & Safety:** Where the impact causes damage to our staff and the residents to whom we owe a duty of care. This would include instances where

the risk event doesn't lead directly to damage but increases its probability or threat (for example where a working environment is made less safe).

- **Reputational Damage:** Where the impact causes the Council to be less well thought of among its stakeholders. This would include residents but also potential partners within and beyond the Borough.
- **Breach of Legal or Contractual Duty:** Where the impact would result in a breach of law or contract, irrespective of whether there are further consequences (e.g. a fine) that would follow.
- **Environmental or Property Damage:** Where the impact is damage to Council buildings or assets or to the environment more generally. This would include both temporary and permanent damage.
- **Reduced Service Quality:** Where the impact is to reduce the quality of services available from the Council, including where the risk happening means we cannot deliver a planned improvement.

Risk Trajectory

Finally, the form asks for a view on where you see the risk moving beyond the 12-month horizon that is the primary focus of our risk management. In your view, will the likelihood and potential impact rise or fall (or stay the same) as we look into the longer term? This will help guide our risk reporting and review.

Overall Risk Scores

Having identified and evaluated risk, the scoring will allow for overall placement on a risk register. The Council uses a 5 x 5 format for its risk register as set out below:

Impacts	5 (Highest)	HILL	Moderate	High	Very High	Very High
	4 (Large)	HILL	Low	Moderate	High	Very High
	3 (Moderate)	Very Low	Low	Moderate	High	High
	2 (Small)	Very Low	Very Low	Low	Moderate	Moderate
	1 (Lowest)	Very Low	Very Low	Very Low	Low	Moderate
		☺	☺ ☺	☺ ☺ ☺	☺ ☺ ☺ ☺	☺ ☺ ☺ ☺ ☺
		c. 1 in 1,000	c. 1 in 250	c. 1 in 50	c. 1 in 10	c. 1 in 2
		Likelihoods				

The table below shows what these overall risk scores mean:

Risk Rating	Meaning
Very High	The gravest risks faced. These will likely receive continual monitoring and should be the focus of risk reduction efforts.
High	Significant risks that pose a greater threat than we are typically comfortable bearing. We should have plans in place to reduce these risks where practical.
Moderate	Risks we are generally content to bear as part of our usual operation, depending on context. We should take opportunities to reduce risk if efficient to do so.
Low	Risks we are content to bear. Usually will require no additional action to reduce the risk.
Very Low	Risks we are content to bear. Will not require additional action to reduce the risk.
HILL	High Impact / Low Likelihood risks. Typically large-scale risks managed through business continuity and resilience approaches.

Responding to Risk

Risk Appetite and Tolerance

The breadth and diversity of the Council’s operations make a universal risk appetite statement impossible to meaningfully articulate. Exactly what risks we are willing to bear is a fine decision that will also factor in the cost and practicality of mitigation as well as any potential upside we can foresee from the activity driving the risk.

The aim of risk reporting is to clarify what risks we are running and why, enabling an informed understanding of the threats we face. Typically those threats will be most acute at **Very High** and **High** levels and so a reasonable assumption is risks at this level are greater than we are willing to accept – essentially marking the boundary of our **risk tolerance**. Also at **Moderate** levels, you can assume that we will want to consider whether there is opportunity to effectively and efficiently reduce risk.

The Council’s Risk Management team will follow up risks identified at these higher levels to understand more about mitigation strategies and planned actions.

Target Risk

Especially for **Very High** and **High** level risks it may be helpful to specifically articulate a Target Risk. This would clarify where our actions will focus: on stopping the risk event from happening (likelihood focus) or in softening its effects if it does happen (impact focus). We would set this out as a specific reduction in score that we hope to result from implementing further actions. For example, for a risk rated as **Very High** with a Large (4) impact and 1 in 2 likelihood, we might put in place additional preventative controls aiming to bring the likelihood down to 1 in 50 and the overall risk down to **Moderate**.

The Council's Risk Management team will follow up on target risks and seek actions and timelines to track progress.

Risk Responses – the “Four Ts”

For Very High, High and Moderate level risks there is an expectation that we should attempt to put in place mitigation strategies to reduce the level of risk wherever practical. Mitigation strategies can take several forms but are typically banded into “the four Ts”.

Terminate

The most straightforward way to reduce the risk is to stop – terminate – the activity it relates to. For example, if we take a view that a specific project contains an unacceptable risk, we can often completely avoid that risk by ending the project. Of course, much of what the Council does are activities that it has a legal, contractual or moral duty to provide. In many circumstances, therefore, this approach will not be available but should always be considered.

Treat

This means to take action to control the risk. Controls can seek to reduce either or both the likelihood of a risk event happening, or to limit its impact if it does. Controls that aim to reduce likelihood are typically called Preventative controls and will act to eliminate or reduce the trigger events or circumstances that might prompt the risk event. Controls that seek to limit impact are typically Detective controls and work to provide early identification of issues to maximise the benefit of corrective action.

You can get advice on designing effective controls from colleagues in the Council. See the links section for further information.

Transfer

This means to share some or all of the risk impact between the Council and another party. The most common form is through insurance, where the Council pays a fee (premium) in exchange for an insurer agreeing to shoulder some of the impact if an event occurs. We can also sometimes share risks with others, such as suppliers or partner bodies. Transferring a risk will only work to mitigate its impact, not likelihood.

Tolerate

The final response is to accept the risk. This might be because the activity is desirable or mandatory or in circumstances where we can do nothing at reasonable cost to further mitigate. This would also be our response where the risk is already at an acceptable level.

Monitoring and Reporting Risk

Risk Registers

We will collate risk information provided through the [Identification Form](#) and other sources into risk registers. These will incorporate a graphic risk matrix (as set out above) along with information about each risk. This will include the information in the table below (details are for example only, and format will vary depending on the needs of the audience):

Risk Title	Risk Owner	Risk Scoring (Corporate)	Planned Actions	Action Date	Scoring Post-Action	Long Term View
Loss of key staff expertise	Dir of HR	Very High Lk= ██████ Imp= 5 (H'est)	Review benefits package	31/12/XX	Moderate Lk= ██ Imp=5 (H'est)	↗
Major cyber attack	Dir of IT	High Lk= █████ Imp=5 (H'est)	Acquire insurance	31/3/XX	Moderate Lk= █████ Imp=4 (Lrg)	↗
Parks over-spend	Dir of Fin	Moderate Lk= ████████ Imp=2 (Small)	(None: Existing Controls)	N/A	Moderate Lk= ████████ Imp=2 (Small)	⇒

The Council’s Risk Management Team will hold information centrally but make it available for review or editing using dedicated software tools.

Risk Reporting Cycle

The table below shows an indicative reporting cycle. We want to keep risk information dynamic and reporting appropriate to the audience which means supporting a focus on change and key risks. This means we will typically not include all risks in all reports, but will make deeper dive information available to those who want to learn more. This will initially be through MS Teams, though hopefully in time using specific risk management software.

During the life of this strategy we also hope to support individuals within directorates to use risk information to produce their own reporting to support decision making at every level. We will develop this aim further over the coming months.

Risk Type & Perspective	Mayor & Cabinet	Audit Panel	EMT	DMT
Very High				
Corporate	Biannual Full detail	Quarterly Full detail	Monthly Full detail	N/R
Service & Project	Biannual Aggregate	Quarterly Aggregate	Quarterly Full detail	Monthly Full detail
High				
Corporate	Biannual Register	Quarterly Register	Quarterly Full detail	N/R
Service & Project	Biannual Aggregate	Quarterly Aggregate	Quarterly Register	Quarterly Full detail
Moderate				
Corporate	Biannual Data Only	Biannual Aggregate	Quarterly Register	N/R
Service & Project	N/R	Biannual Data Only	Biannual Aggregate	Quarterly Register
Low				
Corporate	N/R	Biannual Data Only	Biannual Aggregate	N/R
Service & Project	N/R	N/R	N/R	Biannual Data Only
Very Low				
Corporate	N/R	Annual Data Only	Annual Data Only	N/R
Service & Project	N/R	N/R	N/A	Annual Data Only
HILL				
Corporate	Annual Register	Annual Register	Annual Register	N/R
Service & Project	N/R	N/R	Annual Aggregate	Annual Register

Full detail means everything included in the risk register (subject to any necessary exclusions for data protection or confidentiality reasons) plus additional explanatory notes where relevant.

Register means reporting everything included in the risk register (subject to any necessary exclusions for data protection or confidentiality reasons) usually without additional explanatory notes.

Aggregate means reporting the number of risks within the relevant category along with changes and some additional commentary on highlights.

Data only means reporting the number of risks within the relevant category along with changes but usually without additional explanatory notes.

N/R means not reported, but the information is available to support specific need.

Further Support and Advice

Tools

(To be developed alongside software implementation: will include link to form (reproduced in full below) and other templates distributed through MS Teams. In time, will hopefully include links to access risk management software).

Training and Guidance

(To be developed alongside software implementation : aim to create some e-learning in new year as well as interactive in-person training session. Will also include links to online best practice, e.g. Treasury Orange Book and IRM/ALARM resources).

Roles and Responsibilities Summary

(To be developed alongside software implementation : will include roles for Risk Owner, Risk Management Team, EMT, DMTs, Project Boards, Directors, Heads of Service).

Useful Contacts

(To be developed alongside software implementation : most notably will include links to the internal audit, health & safety, insurance & counter fraud teams to provide advice and support on control design and risk response).

Glossary and Definitions

(To be developed alongside software implementation : definitions of specific terminology used in the strategy. Will include definitions of the terms, Risk, Impact, Control, Issue, Likelihood, Risk Owner, Risk Trigger, Risk Register, Preventative Control, Detective Control)

Document Control

(To be developed alongside software implementation : will track changes to Strategy through its lifespan.

Risk Identification Form (MS Teams)



LB Lewisham Risk Identification

The survey will take approximately 5 minutes to complete.

Form for collecting information about new risks identified. If you are seeking to provide an update on an existing risk please use this form instead (link).

1. Risk Owner's Name

This is the officer with overall responsibility for managing the Council's response to this risk and may differ from the person completing this form.

Enter your answer

2. Risk Perspective

Where is the principal impact of the risk felt?

- CORPORATE - the risk materially threatens delivery of corporate objectives and/or is felt across multiple services.
- SERVICE - the risk materially threatens delivery of service objectives and/or impacts primarily within a single service.
- PROJECT - the risk materially threatens delivery of a specific project.

3. Risk Title

A short title to describe the risk. Typically a single sentence of up to twelve words.

Enter your answer

4. Risk Triggers

What circumstances or events would precede the risk materialising or make it more likely to happen? For example, changes in staffing, varying demand, new regulation, reduced financing or supply chain issues.

Enter your answer



5. Risk Consequences

If the risk materialises describe the impact it would cause including both losses and unrealised gains. For example, financial loss, damage to council assets, impaired services, diminished reputation, harmful working conditions or environmental damage.

Enter your answer

6. Current and Planned Controls

What controls does the Council have in place to limit the likelihood or impact of the risk? Are any more controls planned in the next 12 months? This will include any control improvements planned in response to audit or inspection findings.

Enter your answer

7. Risk Likelihood

In your view, what is the likelihood of the risk event materialising as described in the next 12 months bearing in mind the controls in place?

Pick the option that best matches your view.

- 5 Flags = Probable, around a 1 in 2 chance
- 4 Flags = Possible, around a 1 in 10 chance
- 3 Flags = Unlikely, around a 1 in 50 chance
- 2 Flags = Very Unlikely, around a 1 in 250 chance
- 1 Flag = Extremely Unlikely, around a 1 in 1,000 chance



8. Risk Impact

Bearing in mind the perspective in question 2, how significant do you think the impact would be on the COUNCIL, SERVICE or PROJECT if the risk materialised, bearing in mind the controls the Council has in place?

Pick the option that best matches your view

- 5 = Highest impact, will effectively prevent progress toward objectives until resolved.
- 4 = Large impact, will temporarily stall or seriously impair progress toward objectives until resolved.
- 3 = Moderate impact, will allow continued progress toward objectives but put material limits on effectiveness.
- 2 = Small impact, will divert resources and provide some limitations but not likely to significantly impact material achievement of objectives.
- 1 = Lowest impact, will temporarily divert resources but likely cause no significant impact toward objectives.

1	2	3	4	5
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9. Risk Effects

Using your cursor (or finger if on a touchscreen device) drag the effect types below in order based on how relevant they are to the identified risk. Put the most significant at the top and least significant at the bottom.

Financial loss (or missed income opportunity)
Health & Safety (including staff and residents)
Reputational damage
Breach of legal or contractual duty
Environmental or property damage
Reduced service quality (or missed improvement opportunity)

10. Risk Trajectory

Looking beyond the next 12 months, do you think this risk is likely to increase (6-10), reduce (0-4) or stay broadly the same (5)?

0	1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	---	----

Significantly Reduce Significantly Increase



11. Form Feedback

Collecting risks this way is a new approach. We're keen to understand whether you found the form clear and easy to use.

Please give as many thumbs up below as you wish, with 3 thumbs indicating clear and easy and 1 thumb indicating complex and difficult.



12. Anything Else?

Please note anything else you want to say about the identified risk.



Audit Panel

Report on the Work of the Audit Panel 2022-23

Date: 14 March 2023

Key decision: No

Class: Part 1.

Ward(s) affected: No individual specific wards.

Contributors: Head of Assurance, Chief Accountant

Outline and recommendations

(Note we present the report as it will appear when circulated to PASC ahead of its 16 March 2023 meeting. References to “this” Committee refer to PASC).

This Committee’s Terms of Reference direct that it should scrutinise the effectiveness of the Audit Panel. This report outlines the Audit Panel’s work during the municipal year 2022/23 to support this Committee in discharging that responsibility.

Timeline of engagement and decision-making

- *XXX March 2023: Approved informally by Audit Panel Chair*
- *14 March 2023: Presented for comment at Audit Panel*

1. Summary

- 1.1. Section 6.7 of the Council’s Constitution details specific terms of reference for each Committee. For the Public Accounts Select Committee the terms of reference direct, among other instructions, that the Committee should “scrutinise the effectiveness of the Audit Panel”.
- 1.2. At Section 9.3 the Constitution directs that the Audit Panel should comprise 6 non executive Councillors (one serving as Chair) and up to 4 independent co-

opted members. The constitution then details eleven areas where the Panel should “receive, review and where appropriate advise [...] and make recommendations”.

- Review and approve the Council’s internal audit strategy, plans and resources.
 - Internal audit quarterly progress reports.
 - Annual Report of the Council’s Head of Internal Audit.
 - Reports of Internal Audit on where management has failed to undertake necessary actions within the planned audit time frame.
 - The external auditor’s Annual Plan and relevant reports.
 - External inspection reports and specific reports as agreed with the external auditor.
 - Monitoring effectiveness of risk management, control environment and anti-fraud and anti-corruption arrangements.
 - Overview of the Council’s constitution on audit procedure, contract procedure and financial regulations.
 - Assurance arrangements, including the Statement of Internal Control.
 - The Annual Statement of Accounts, including whether appropriate accounting policies have been followed and any concerns arising from the financial statements.
 - The external auditor’s opinion and reports to members, and monitoring management action in response to issues raised by external audit.
- 1.3. This report sets out the Panel’s work during the municipal year 2022/23, assuring this Committee that the Panel has appropriately and fully discharged those responsibilities..

2. Recommendations

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

3. Policy Context

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

4. Background

- 4.1. This report sets out the respective responsibilities of PASC and the Audit Panel in Section 1.
- 4.2. The Audit Panel has met twice during the 2022/23 municipal year, and by the time PASC receives this report it will have met for a third time. Papers were also circulated for a fourth meeting, cancelled at short notice following the

announcement from Buckingham Palace of the Queen's death around an hour before its scheduled start. Meetings and attendance details as summarised below:

- 21 June 2022: 5/6 Members present plus 2/2 Co-Optees
- 8 September 2022: Papers prepared and circulated but meeting cancelled.
- 9 November 2022: Meeting planned to focus on the financial statements audit. Cancelled and dealt with at next meeting to allow more time to complete the audit.
- 6 December 2022: 4/6 Members present plus 0/1 Co-Optees
- 14 March 2023: Meeting pending.

5. External Audit and Financial Statements

5.1. The timetable for local government accounts continues to experience delays. These are partly attributable to the Covid-19 pandemic but also the widely-acknowledged increasing complexity of accounting requirements and resourcing difficulty within the audit sector.

5.2. For the 2021/22 financial year the statutory deadline for audited accounts was 30 November, having been moved back from 31 July the previous year. However, in common with almost every local authority in the country, the Council's financial statements audit stretched beyond that deadline.

5.3. In June, the panel received from the Council's external auditor (Grant Thornton) its Audit Plan for the 2021/22 financial statements audit, also covering the Council's Group Accounts and Pension Fund. This plan described Grant Thornton's view of the key risks to the financial statements' material accuracy.

5.4. The Panel also received in June, and at every subsequent meeting, a tracker describing progress on implementing all Grant Thornton's recommendations.

5.5. In December, slightly later than planned, the Panel received Grant Thornton's draft audit findings report for 2021/22 and the Annual Report including the Value For Money Conclusion.

5.6. While the audit findings report was presented as draft, acknowledging work remaining to complete, it anticipated an unmodified audit opinion. The Report summarised its findings as:

- *"The overall quality of the financial statements continues to improve and at this stage we have identified less misstatements and presentation changes than the previous year... We have identified adjustments to the Council's Financial position... [but] these are immaterial extrapolated errors that are well below materiality levels"*

5.7. The December meeting also featured Grant Thornton's Annual Report for 2021/22. This report included the Auditor's conclusion on the Council's Value for Money arrangements. This Conclusion was the second year of reporting under the National Audit Office's new Code of Audit Practice that directs auditors to have particular regard to Financial Sustainability, Governance and Improvement Economy, Efficiency and Effectiveness. The report identified no significant weaknesses in arrangements but made some improvement recommendations. Its overall conclusion was:

- *"The Council has demonstrated robust arrangements across all three areas of focus... No weaknesses have been identified in the Council's arrangements which would lead to raising the most serious recommendations. Some improvement recommendations have been highlighted [which] represent suggestions of ways the Council may achieve best practice as opposed to correcting poorly performing arrangements. The Council should take comfort from the fact that arrangements are deemed to effectively respond to the challenges the Council has face in 21/22 including responding and recovering from the pandemic and uncertainty in relation to future funding levels. There is a clear drive for improvement at the Council which has been demonstrated via the greater level of collaboration and communication being observed at all levels of the organisation and therefore although the Council faces future uncertainties, particularly financial, the arrangements in place prepare them well for the challenge."*

5.8. The Panel will receive a further update in March on progress towards implementing those recommendations.

6. Internal Audit

6.1. In June, the Panel received the Annual Opinion from the Head of Assurance, commenting on the Council's governance, risk management and internal control for 2021/22. While the overall Opinion was satisfactory, the Head of Assurance noted some persistent (but largely minor) control weaknesses, which were also disclosed in the Annual Governance Statement.

6.2. Throughout the year, the Head of Assurance also updated the Panel on progress towards completing agreed audit actions and delivery of the 2022/23 Audit Plan approved in March 2022. These reports showed continued improvement in responding to internal audit recommendations and detailed a specific exercise to quality-check long-standing actions to ensure they remained suitable and effective.

6.3. Every five years the Council's internal audit service must undergo an External Quality Assessment (EQA). This assessment was due in 2022 and completed by the Head of Audit for the City of London as part of the London Audit Group's

peer assessment programme. The City of London Head of Audit attended the Panel meeting in June 2022 to explain his conclusion that Lewisham's Internal Audit service conformed to Public Sector Internal Audit Standards. His report included a handful of recommendations for improvement, all reported to the Panel as complete in the September 2022 meeting papers.

- 6.4. In December the Panel received an updated Audit Charter. This Charter, an essential requirement of Public Sector Internal Audit Standards, sets out the local approach to internal audit. As well as reflecting some minor issues arising from the EQA, the revised Charter also set out independence safeguards given the Head of Assurance's broader operational role that his external secondee Head of Audit predecessor.
- 6.5. In March the Panel will receive standard updates plus the proposed internal audit plan for 2023/24.

7. Anti-Fraud and Corruption

- 7.1. Information on progress of the Anti-Fraud and Corruption Team (A-FACT) was incorporated into audit updates and included in a separate annual report. This report was prepared for and distributed among the papers of the September meeting cancelled in the wake of the Queen's death.
- 7.2. The report noted a consistent caseload, with 70 being closed in 2021/22 (from 66 in 2020/21). Ten of these cases involved employees (same as 2020/21) with four resulting in disciplinary action, plus one resignation while under investigation.
- 7.3. The report also noted A-FACT's continuing work in assessing Covid-related business grants. The team's intervention resulted in rejecting over half of the applications received. In around two-thirds of cases this was because of ineligibility for the grant requested, but included claims for empty premises or non-trading businesses. We submitted data from schemes to the National Fraud Initiative for further data matching and investigation.
- 7.4. The report was accompanied by an updated counter fraud policy. This was a general housekeeping update, but flagged a wish to undertake a broader policy review in 2023/24.

8. Risk Management

- 8.1. During the year the Panel continued to receive regular updates on the Corporate Risk Register. The reporting approach evolved at each meeting in response to Member feedback and included a specific look at adult social care safeguarding risk in the June meeting.
- 8.2. In March 2023 the Panel will receive the Council's new Risk Management Strategy, replacing the 2017-2022 version. This new strategy will support continued improvement in risk reporting, including to the Audit Panel.

9. Annual Governance Statement

- 9.1. The Annual Governance Statement forms part of the Financial Statements that the Panel reviewed in December. The Statement highlighted several governance priorities for 2022/23 on onwards, including:
 - *Delivery of the Mayor's policy programme as set out in the Corporate Strategy.*
 - *Progress improvements in financial management, organisational culture, resident experience, evidence-based decision making, governance and risk, project management and communications.*
 - *Addressing findings of external audit, and*
 - *Improving compliance with persistent control weaknesses identified by internal audit.*
- 9.2. The Audit Panel will continue to monitor and review progress on these priorities.

10. Other Business and Priorities for 2023/24

- 10.1. The equivalent report to PASC in March 2022 highlighted some additional areas of continuing work for the Panel. These included:
- 10.2. **Redmond Review:** In October 2022 CIPFA published its long-awaited guidance on the role of Audit Committees in local authorities, revised in the light of the Government's response to the Redmond recommendations. The Panel's March meeting will include a report on this guidance and its implications for the role and work of Lewisham's Audit Panel.
- 10.3. **Reviewing Panel Status and Terms of Reference:** This work continues, taking into account CIPFA's guidance.
- 10.4. **Recruiting Independent Members:** Noting the continued value and enormously appreciated contributions of Independent Members, the Panel retains an ambition to recruit up to its full complement. We will proceed with

advertising vacant positions in the new municipal year pending review of the Panel's scope and terms of reference.

- 10.5. **Risk 'Deep Dives'**: The Panel will continue through 2023/24 undertaking 'deep dive' reviews into higher-rated risks recorded in the Council's Register. The aim of these exercises is to seek assurance that the Council's risks are appropriately identified with effective controls in place to mitigate their likelihood and impact.

11. Financial implications

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

12. Legal implications

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

13. Equalities implications

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

14. Climate change and environmental implications

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

15. Crime and disorder implications

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

16. Health and wellbeing implications

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

17. Background papers

- 17.1. The background papers to this report are the Audit Panel meeting records published on the Council's website.

18. Report author and contact

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

Agenda Item 7



CIPFA Audit Committee Guidance

CIPFA Audit Committee Guidance

Date: 14 March 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

This report summarises for Audit Panel Members the new guidance for local authority audit committees published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in late 2022.

It notes that Lewisham's Audit Panel is materially in line with the guidance already. But nevertheless, recommends that Members agree to incorporate the guidance in its work programme for the forthcoming municipal year.

1. Summary

- 1.1. This report gives an overview of the new CIPFA Guidance for Audit Committees in local authorities, published in October 2022. The report is primarily for information, but its content will support development of the Panel as it forms a work programme for the next municipal year.

2. Recommendations

- 2.1. That Members **note** the report and guidance.

3. Policy Context

- 3.1. High quality governance is a crucial component in maintaining a effective and ethical organisation and delivering across the Council's Corporate Priorities as

set out in the [Corporate Strategy \(2022-2026\)](#).

4. Background

- 4.1. In [July 2019](#), prompted by concerns over the quality of local authority audits, the then Communities Secretary James Brokenshire commissioned a review by former CIPFA President Sir Tony Redmond.
- 4.2. The subsequent report – the [Redmond Review](#) – was published by the government in September 2020. The Review included various recommendations aimed at improving local authority governance arrangements. These included recommendations on the scope, composition and prominence of local authority audit committees.
- 4.3. In April 2022, ahead of the formal Government response, CIPFA published its [Position Statement on Audit Committees](#). This document gave a high-level summary of CIPFA’s view on the necessary scope, membership and expertise necessary to establish and maintain an effective audit committee.
- 4.4. After a consultation, the Government published its response to the Redmond Review recommendations in [May 2022](#). Specifically on the recommendations for local authority audit committees, the Government responded that it:

“... welcomes the strong support [in the consultation] for strengthened guidance [for audit committees]. The government has fed back the key comment themes to CIPFA as the developed the guidance further. Government has worked with partners to ensure consultation views are reflected in the composition of the audit committees and its reporting mechanisms which it considers to be a relatively simple and cost-effective step in ensuring transparency across the sector. CIPFA published its Position Statement and supporting guidance in April 2022 which recommends the need for audit committees to be apolitical, for improved preparedness for external audit arrangements, ensuring membership has the right expertise, and reporting and publishing annually on committee effectiveness.

The government accepts there are different perspectives on whether Audit Committees should be a statutory requirement, and notes that fundamentally it is very important that local authorities are able to tailor their structures to local need.

There are, however, benefits to mandating audit committees, including increased transparency and consistency. Redmond found that arrangements for the Police were working effectively, while Major Combined Authorities were also required to have them, making local authorities an anomaly. Strengthened audit committees have also been a key issue in recent Public Interest Reports.

Fundamentally, it is important that councils, as with other public bodies, have appropriate measures in place: the government considers it proportionate to establish a simple principle that local authorities should have an audit committee, with at least one independent member. Mandating for audit committees would ensure widespread take-up, along with improved public accountability.

Consequently, based on the consultation feedback, we will be making Audit Committees, with at least one independent member, a mandatory requirement once Parliamentary time allows.

We will continue to consult with partners on how this should be implemented. In the intervening period, the government would encourage local bodies to establish their arrangements in line with CIPFA's guidance, including appointing independent members."

- 4.5. After a further consultation, CIPFA published [Audit Committees: Practical Guidance for Local Authorities and Police \(2022 edition\)](#) in late October 2022.

Note that this is a paid-for publication so we cannot link to or attach the full document in public committee papers. However, we circulated a full copy to all Members of this Panel by email on 7 December and will be happy to re-circulate on request.

- 4.6. This report aims to provide Members of the Panel with a summary of the key requirements of the guidance and their implications for Lewisham.

5. Audit Committees: Practical Guidance for Local Authorities

Key changes from 2018

- 5.1. CIPFA last published guidance for Audit Committees in 2018, before the government commissioned the Redmond Review. The 2022 update, reflecting the Redmond Review and the Government's response, is aimed more directly at audit committee members. It acknowledges some degree of overlap with scrutiny committees, but stresses a focus not just on the audit committee's formal role but evaluating the impact it can deliver to add value for the Council.
- 5.2. There is a significantly increased focus on the required ethical framework, and new sections on supporting and making best use of audit (both internal and external). The guidance also reflects the changing role of both internal and external audit, including acknowledging the expanded Value for Money conclusion obligations of external auditors. Similarly the guidance reflects developments with internal audit standards, including the [CIPFA statement on the role of the Head of Internal Audit](#) and the [Untapped Potential](#) report (2022).

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Specifically, the guidance advocates audit committee involvement in recruiting and appraising a head of internal audit and overseeing decisions on whether to provide internal audit as an in-house or outsourced service.

Core roles and membership of an audit committee

- 5.3. The core roles set out in the guidance are consistent with those described in the Position Statement. Specifically that the audit committee should deliver an independent, high-level focus on the adequacy of governance, risk and control. It sets out the committee should be independent in sharing no membership with the council executive and performing an advisory, non-political role. It should be accountable to full council, including providing an annual report on its work and effectiveness. It should also have full rights of access to reports, officers and appropriate training and support and be prepared to advocate to ensure resources are targeted to support good governance and addressing any significant control failings or overall weaknesses.
- 5.4. Going slightly beyond the Government's position, the guidance calls for a minimum of two independent members to add technical expertise and raises the possibility that councils might consider having an independent Chair.
- 5.5. The guidance sets out what it describes as the core functions of an audit committee in a local authority:
- *Oversight of Governance, Risk & Control*
 - *Including good governance, monitoring ethical frameworks, risk management, internal controls, value for money arrangements, countering fraud and corruption and maintaining good governance across partnerships and collaborations.*
 - *Accountability of Public Reporting*
 - *Including both statutory financial statements and the annual governance statement.*
 - *Assurance and Audit Arrangements*
 - *Including oversight of internal audit, and visibility on the work of external audit and other inspections agencies, supporting their independence, quality and effective relationships with the Council and its officers.*
- 5.6. The guidance also includes details of what it describes as the core knowledge and expertise needs of audit committees. It suggests committees should actively assess themselves against those needs and make arrangements for further training or membership where needed. This would form part of a

committee self-assessment the guidance proposes be undertaken at least annually. In particular, the guidance notes the increasing complexity of financial reporting, with a specific suggestion that committees should take care to ensure their expertise in this field is sufficient to allow effective and supportive challenge to officers

6. CIPFA Guidance Implications for Lewisham

- 6.1. The Council's Audit Panel, as currently constituted, materially conforms with CIPFA's guidance. Its scope encompasses internal and external audit, risk management and counter fraud plus has a membership excluding members of the executive but including independent lay members.
- 6.2. Notwithstanding, the publication of this guidance provides an opportunity look again at the Panel's remit. In particular its position within the Council's overall committee structure, its scope in considering partnership working and its reporting and self-review responsibilities.
- 6.3. At Appendix A officers have prepared a sample terms of reference. This document draws from the model terms of reference included in the full version of CIPFA's guide, tailored for Lewisham's constitutional format and individual circumstances, as set out in Appendix B. We invite Panel Members to comment on this draft.
- 6.4. Also, noting the increased emphasis on training and support, Panel Members may wish to consider in developing the 2023/24 work programme for the Panel additional training and support that may assist.

7. Financial implications

- 7.1. There are no direct implications arising from this report, which is for information and discussion rather than decision.

8. Legal implications

- 8.1. There are no direct implications arising from this report, which is for information and discussion rather than decision.

9. Equalities implications

- 9.1. There are no direct implications arising from this report, which is for information and discussion rather than decision.

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10. Climate change and environmental implications

10.1. There are no direct implications arising from this report, which is for information and discussion rather than decision.

11. Crime and disorder implications

11.1. There are no direct implications arising from this report, which is for information and discussion rather than decision.

12. Health and wellbeing implications

12.1. There are no direct implications arising from this report, which is for information and discussion rather than decision.

13. Background papers

13.1. Background papers are hyperlinked through the report.

14. Report author(s) and contact

14.1. Rich Clarke, Head of Assurance. Telephone 020 8314 8730.

15. Appendices

15.1. Included within this report

- *Appendix A: Example Audit Committee Terms of Reference*
- *Appendix B: Comparison of Example with Current Terms of Reference*

Appendix A: Example Audit Committee Terms of Reference

Numbers in parentheses link to the specific further information in Appendix B.

(1) Composition: 6 non executive Councillors, one of whom shall serve as chair and up to 3 independent co-opted members. **(2)** The Chair has a free and unfettered right of access to internal and external auditors, including the opportunity for private meetings as required.

(3) Role: To provide an independent and high-level focus on the adequacy of governance, risk and control arrangements, giving the Council greater confidence that those arrangements are effective. In particular the Committee will receive, review and where appropriate advise and make recommendations to the Council on the following:

- **(4)** The Council's overall corporate governance arrangements, including conformance with its local code of governance, arrangements to secure value for money and CIPFA's Financial Management Code. This role extends to arrangements for significant partnerships or collaborations involving the Council.
- **(5)** The effective development and operation of risk management in the Council, including risk-related issues reported to the Committee.
- **(6)** The Council's management of risks and potential harm from fraud and corruption, including counter fraud strategy, actions and resources.
- **(7)** The Council's Annual Governance Statement, including the Head of Internal Audit's Annual Opinion, and progress on actions arising.
- **(8)** The Council's Annual Statement of Accounts, including selection and application of appropriate accounting policies and action plans to address issues arising from the external auditors' reports.
- **(9)** The independence and effectiveness of the external auditor, including review of specific reports as agreed with the auditor and any matters raised by PSAA.
- **(10)** The Council's Internal Audit Charter, including arrangements for provision of internal audit and supporting its independence and objectivity.
- **(11)** The Council's risk-based internal audit plan, including internal audit's resource requirements and reliance on other sources of assurance.
- **(12)** Reports from the Chief Audit Executive on aspects of internal audit's work, including conformance with PSIAS, key findings, actions arising and progress toward implementation.
- **(13)** The development of Internal Audit and its external quality assessment that takes place at least every five years.
- **(14)** The Committee's own work and development (for example, review of the Council's financial and procurement regulations), including an annual report to Council on its effectiveness and compliance with the CIPFA Position Statement.

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Appendix B: Reconciliation of Example Terms of Reference against Current Panel Terms and CIPFA Guidance

Highlighted sections indicate notable amendments or additions in comparison to the current Audit Panel Terms of Reference.

Ref	Audit Panel - Now (reordered to align to example)	Audit Committee - Example	Comment
1.	Composition: Consisting of 6 non executive Councillors, one of whom shall serve as chair and up to 4 independent co-opted members	Composition: 6 non executive Councillors, one of whom shall serve as chair and up to 3 independent co-opted members.	The Council may wish to consider how many independent Members it should seek to cover the areas of expertise it must cover, especially in the light of CIPFA's guidance now recommending that all councils seek independent support.
2.		The Chair has a free and unfettered right of access to internal and external auditors, including the opportunity for private meetings as required.	While this has been operating previously it is formalised here in line with the CIPFA guidance.
3.	To receive, review and where appropriate advise as appropriate and make recommendations to the Council * on the following matters:	To provide an independent and high-level focus on the adequacy of governance, risk and control arrangements, giving the Council greater confidence that those arrangements are effective. In particular the Committee will receive, review and where appropriate advise and make recommendations to the Council on the following:	Change provides helpful clarity to purpose of the Committee as well as what it should focus its work on reviewing (reflected in a general move to a more active sense in the written terms of reference).

Ref	Audit Panel - Now (reordered to align to example)	Audit Committee - Example	Comment
4.	<p>The Council's assurance arrangements including the Statement of Internal Control.</p> <p>The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit.</p>	<p>The Council's overall corporate governance arrangements, including conformance with its local code of governance, arrangements to secure value for money and CIPFA's Financial Management Code. This role extends to arrangements for significant partnerships or collaborations involving the Council.</p>	<p>Replacing the outdated "Statement of Internal Control" wording, now covered in reference 7 comments on the Annual Governance Statement.</p> <p>Any significant role with respect to partnerships or collaborations would have to reflect any existing scrutiny or legislative arrangements to minimise duplication.</p>
5.	<p>The monitoring of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.</p>	<p>The effective development and operation of risk management in the Council, including risk-related issues reported to the Committee.</p>	<p>Splitting out points on risk (5), control (3) and fraud (6) to emphasise singular focus.</p>
6.		<p>The Council's management of risks and potential harm from fraud and corruption, including counter fraud strategy, actions and resources.</p>	<p>See point 5. above</p>
7.	<p>External inspection reports and specific reports as agreed with the external auditor.</p>	<p>The Council's Annual Governance Statement, including the Head of Internal Audit's Annual Opinion, and progress on actions arising.</p>	<p>Like above, splitting out work on VFM conclusion (4), accounts opinion (8) and Annual Governance Statement (7) to emphasise focus.</p>

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Ref	Audit Panel - Now (reordered to align to example)	Audit Committee - Example	Comment
8.	The Council's Annual Statement of Accounts, to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Executive.	The Council's Annual Statement of Accounts, including selection and application of appropriate accounting policies and action plans to address issues arising from the external auditors' reports.	
9.	The external auditor's Annual Plan, relevant reports, and reports to those charged with governance.	The independence and effectiveness of the external auditor, including review of specific reports as agreed with the auditor and any matters raised by PSAA.	Depending on its eventual role, it may be useful for the terms of reference to also mention the Audit, Reporting and Governance Authority (ARGA) which will take on a "system lead" role in public audit. Note also these terms reflect the Council having opted into the PSAA arrangements for arranging external audit appointments.
10.	Internal Audit progress reports on a quarterly basis summarising the audit reports issued and performance of the Internal Audit function.	The Council's Internal Audit Charter, including arrangements for provision of internal audit and supporting its independence and objectivity.	Slightly abridged terms of reference reflecting that much of the detail is included within the Internal Audit Charter (which is a requirement of Audit Standards).

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Ref	Audit Panel - Now (reordered to align to example)	Audit Committee - Example	Comment
11.	The review and approval of the Council's Internal Audit strategy, plans and resources.	The Council's risk-based internal audit plan, including internal audit's resource requirements and reliance on other sources of assurance.	Slightly expanded note reflecting the risk-based nature of internal audit as described in Audit Standards.
12.	Reports from Internal Audit on the implementation of agreed recommendations where management have failed to undertake the necessary actions within the planned audit time frame.	Reports from the Chief Audit Executive on aspects of internal audit's work, including conformance with PSIAS, key findings, actions arising and progress toward implementation.	
13.	The annual report of the Council's Head of Internal Audit and Inspection Agencies.	The development of Internal Audit and its external quality assessment that takes place at least every five years.	
14.	An overview of the Council's Constitution in respect of audit procedure rules, contract procedure rules, and financial regulations.	The Committee's own work and development (for example, review of the Council's financial and procurement regulations), including an annual report to Council on its effectiveness and compliance with the CIPFA Position Statement.	Tailoring specifically to Lewisham; there may be merit in specifying work on financial and procurement regulations, especially any that lie outside of the Constitution.

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Ref	Audit Panel - Now (reordered to align to example)	Audit Committee - Example	Comment
15.	* Any advice and recommendations made by the Audit Panel shall be referred to the Chief Executive and/or Executive Director of Corporate Services who shall refer the matter to the appropriate Council decision maker for consideration.		This provision would be redundant for a Committee constituted as a full committee of the council with direct reporting lines to the full Council.

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