



AUDIT AND RISK COMMITTEE

Date: THURSDAY, 22 JUNE 2023 at 7.00 pm

Enquiries to: Hajera Khan
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MEMBERS

Councillor Suzannah Clarke	L
Councillor Billy Harding	Labour Co-op
Councillor Eva Kestner	Labour Co-op
Councillor James Rathbone	
Councillor Luke Sorba	
Councillor Hau-Yu Tam	Labour Co-op
Stephen Warren	L Independent Member

Members are summoned to attend this meeting

Jeremy Chambers
Director of Law and Corporate Governance
Lewisham Town Hall
Catford
London SE6 4RU
Date: 22 June 2023



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ORDER OF BUSINESS – PART 1 AGENDA

Item No		Page No.s
1.	Election of Chair and Vice Chair The Chair and Vice Chair of the Committee are to be nominated and elected for the Municipal Year 2023/24.	
2.	Minutes	1 - 6
3.	Declarations of Interest	7 - 10
4.	External Audit Update	11 - 112
5.	Internal Audit Annual Opinion	113 - 146
6.	Risk Management Update	147 - 156
7.	Exclusion of the Public and Press	157
8.	IT Asset Management	158 - 193



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MINUTES OF THE AUDIT PANEL MEETING

Tuesday 14 March 2023 at 7pm

PRESENT: Councillor Kestner, Councillor Rathbone, Councillor Shrivastava, Councillor Webley-Brown

Also Present: Stephen Warren (Independent Member)

Apologies: Councillor Schmidt and Councillor Sheikh

1. Minutes

The Minutes of the 6 December 2022 were agreed.

2. Declarations of Interest

Stephen Warren declared interest in undertaking work for PSAA Ltd that appoints the Councils external auditor.

3. External Audit Update

- 3.1. The Chief Account opened the presentation for this report. She stated the following:
- 3.2. The report provided an update on the external audit for 2021/22 and the progress undertaken to date on the 2022/23 statement of accounts and the interim audit.
- 3.3. Grant Thornton then provided a brief update on the 2021/22 external audit and stated that the audit is nearing completion and most of the file has been reviewed with sign off expected by the end of March.
- 3.4. The Chief Accountant continued, stating that preparations are starting for the interim audit for 2022/23 and that a draft statement of accounts will be produced by the end of June. The statutory deadline is the end of May; however, the decision was taken as an organisation to aim for June, in line with other London boroughs and the LGA. Some of the reasons for this were because of Council and audit capacity.
- 3.5. Based on last years audit, a lesson learned session was undertaken, which officers were present for to give their feedback on how they think the 2021/22 process worked as a result a few changes in process have been made. This includes some additional training to meet some of the recurring recommendations that have arisen over the years, so the team are confident to continue the journey of continuous improvement.

- 3.6. The audit findings report recommendations were outlined in the report. The following was discussed:
- 3.7. Grant Thornton were able to close off several the recommendations, while some new ones had been put forward which management accepted and provided responses for, and actions plan for completion for the 2022/23 audit.
- 3.8. Improvements have been made on the cut-off testing over the last few years. Capital training for project managers has also been taking place. Section 106 work is also a part of the continuous improvement.
- 3.9. Regarding the recommendations around Value for Money, the majority have also been closed, as outlined in the report, as well as the new recommendations for this year.
- 3.10. Each of the recommendations has a responsible senior officer and both the recommendations and action plans have been shared with members of the Executive Management Team. These are a standing item and so will be continuously monitored.
- 3.11. It was asked by Members why it was not possible to reconcile Exacom system to the general ledger, as was addressed in the report. It was also asked if Oracle recruiting cloud is now live. The Officer responded to the first question that, the process is ongoing and has not been done in a while so there will be a few years that have to be reconciled which gets more difficult the further back. They start with the newest ones and look at the amounts for Exacom and time them back to the receipts within the general ledger. The control figure within the general ledger is correct because that relates to real cash that has been received. A decision must be taken to match Exacom to the general ledger and use the lessons learnt to ensure that this does not occur again.
- 3.12. To the second question, she responded that the implementation is almost complete, and they will be rolling out training for managers for support.
- 3.13. It was agreed that a more comprehensive Part 2 report on the IT critical incident would be table at the next meeting. It was also agreed that as part of an all-Member briefing or training that will provide some knowledge and explanation of the systems and work of Audit Panel.
- 3.14. It was also asked what the nature of the cut off testing was: who was undertaking it and what were the results. It was responded that there had been focus sessions specifically for project managers to share some of the areas that are of best practice, ensuring they are meeting the deadlines and sharing guidance with them throughout.
- 3.15. The Corporate team will be undertaking some of the cut-off testing themselves, in advance of the auditors doing their cut-off testing to pre-empt some of the areas where some issues may be found.

- 3.16. It was noted that further detail of the progress of the actions be implemented in officer reporting.
- 3.17. It was asked what mechanisms and processes are followed to ensure that the section 106 agreements are fulfilled in terms of the Exacom transactions. The officer responded that the Exacom system contains details around the conditions of the section 106 contributions that have been received, which then enables tracking of expiry dates and conditions of use.
- 3.18. It was asked of Grant Thornton, what the details were around transferring of knowledge to new auditors, for 2023/24. They responded stating that there will be a handover arrangement in place between auditors which will include the incoming auditor having access to all reports and there will be discussions of GT's knowledge and experience with the Council, areas of risk, history, the recommendations, and the action tracker. The incoming auditors would also want to look at their audit file, getting assurances from the opening balances in the accounts and areas of significant risks. GT will work with PSAA guidance in that handover and will update the Committee in due course around details of the handover.
- 3.19. When asked about the financial statements, when Lewisham Homes is brought in house, the officer responded that the result will be that the main council statement of accounts will include elements of Lewisham Homes that have been insourced. The group statement of accounts will include CRPL Catford Re-gen Partnership, and the balance of Lewisham Homes
- 3.20. It was noted that KPMG will be the next external auditors under the PSA contract award, who are currently Lewisham Homes' auditors
- 3.21. RESOLVED, that the report was noted.

4. Internal Audit Plan and Progress

- 4.1. The Head of Assurance presented the report and discussed the 2023/34 Plan. The following was discussed:
- 4.2. He listed what the current public sector internal audit standards require, when compiling a plan. Firstly, to undertake a risk assessment of the Council as a whole, looking at which areas pose a threat to the year-end assurance opinion. The risk assessment done at the end of 2022 involved assessing 190 different areas of the Council's activity, which then shapes the audit plan.
- 4.3. He continued that the available resources must also be considered; are there sufficient resources to complete the risk assessment. The level of resource measured by the number of days available to the audit team, which is estimated at 820 this year.
- 4.4. The Officer stated that as Lewisham Homes will be becoming a part of LBL's audit, he has been over the Lewisham Homes audit plan and is satisfied with

its content. The Panel will see, towards the end of the year, the reports integrated.

- 4.5. The report detailed the audit engagement plan. He stated that the assurance exercise would be useful in guiding the overall assurance, that he will report on at the end of the year.
- 4.6. There is focus on a more diverse audit plan. 75% of more of the audit plan was focused on financial systems in schools, often to the exclusion of the scope of the Council's activities- that has been changing over the years, where now 45% looks at these areas and more than half of the plan is looking at activities across the directorates.
- 4.7. The report also detailed the 2023 progress update. It was found that the Council is not consistently receiving the information it requires through its central oversight for it to do its job effectively. This was highlighted in the recommendations.
- 4.8. The officer projected that all projects detailed in the report will be completed in time to give the annual opinion in June.
- 4.9. The work on child safeguarding, as discussed at previous meetings, was in preparation when Ofsted required an assessment of the same area. The work was withdrawn while waiting for Ofsted's conclusions which were published at the end of January and was broadly positive. As it covered all the areas the assurance team were looking at, they did not proceed.
- 4.10. Regarding the completion of agreed audit actions, 45 actions were outstanding at the end of February, none of which, the officer said, were individually areas of concern. In almost all cases, the officer projected completion within the next couple of months.
- 4.11. It was noted that the summary of the contract management report was brief, and the officer agreed to take that on board.
- 4.12. It was asked what the risks were of using another organisation's work, in this instance, Ofsted's child safeguarding inspection, instead of the Council's own. The officer responded that there is a risk in any reliance-based exercise but weighed against the risk of time spent repeating work, there is an opportunity risk of losing valuable time that could be spent on work elsewhere. It is also a cost-effective way of providing assurance to the Panel.

5. Corporate Risk Register

- 5.1. The Head of Assurance provided an update to the corporate risks for the Q3 period.
- 5.2. He stated that there has not been any significant movement as effectively it had only been a month on from last report. There had been some movement

in the actions and measures, as reported, but similar to what had been reported previously.

- 5.3. The Councils EMT gave the greenlight to move forward with the new Risk Management Strategy. It retains scoring and identification, but significantly streamlines the process. The strategy was included in the report.
- 5.4. As the Council has a new Corporate Strategy, the officer stated that this was a good time to look at corporate risk. There will be risk identification workshops held with senior leaderships of the Council.
- 5.5. It was asked if the new strategy would pick up the acceptance of risk, to which the officer responded that it would.
- 5.6. It was asked what the process for identifying the risks for when Lewisham Homes comes inhouse. The officer responded that Lewisham Homes has their own risk management process which will need to be aligned as the year goes ahead.
- 5.7. RESOLVED that the report is noted.

6. Report on work of the Audit Panel

- 6.1. The Head of Assurance presented the report which was a summary of activities of the Audit Panel throughout the year with the intention that it fulfils the constitutional requirements as it stands.
- 6.2. The Panel agreed that it was a fair summary.
- 6.3. RESOLVED the report was noted.

7. CIPFA Audit Committee Guidance

- 7.1. The Head of Assurance presented this report. The guidance came out in October 2022 and was circulated to Panel members in December.
- 7.2. The new guidance insists upon Independent Members joining the Panel. Some of the requirements include a self-assessment for members to complete; and to recruit additional independent members (2 are recommended).
- 7.3. The Panel agreed that 3 independent members would be better, 2 as the minimum, as they can be very useful in this area and that recruitment should be a priority.
- 7.4. It was also noted that the Panels Terms of Reference should continue to draw from the CIPFA guidance.

- 7.5. Stephen Warren stated that he will be stepping down from his position of this Panel, but will remain in post until a replacement is found. The Chair and Members thanked him for his time and work on the Panel.
- 7.6. RESOLVED that the report was noted.

Agenda Item 3

AUDIT & RISK COMMITTEE		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 1
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 22 June 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)



Audit & Risk Committee

Report title: Statement of Accounts 2022/23 & External Audit Update

Date: 22 June 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
- Note the updated responses to the audit risk assessment for 2022/23
 - Note Grant Thornton's 2022/23 Audit Plan

1. Summary

- 1.1. The purpose of this report is to provide an update to the members of the Audit Panel on the preparations for the 2022/23 closing of accounts and statutory external audit processes.
- 1.2. The report also provides members with the management action responses to the auditor recommendations made as part of the 2021/22 external audit.
- 1.3. The report considers the key risks for the 2022/23 accounts and asks the Audit Panel to consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.
- 1.4. Finally, the report includes the 2022/23 Audit Plan produced by Grant Thornton.

2. Recommendations

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

3. Policy Context

- 3.1. The 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.

5. 2022/23 Statement of Accounts Update

- 5.1. Lewisham Council are working to prepare draft accounts by 30 June 2023 and publishing audited accounts by 30 November 2023.
- 5.2. The Council's outturn position has been finalised. Work is ongoing to update the Statement of Accounts Word document for publication by 30 June 2022. Once handed over for audit, these draft accounts will also be published on the Council's website and the statutory public inspection period opened during July and August.
- 5.3. The interim audit took place in March 2023. Grant Thornton's online portal, Inflo was used to supply data efficiently and securely. Process walkthroughs have taken place and samples have been provided, which will be responded to in due course.
- 5.4. The final audit is scheduled to take place between July and November 2023, with publication of the final accounts by 30 November 2022.

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

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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. 2022/23 Audit Risk Assessment

7.1. Grant Thornton produce a report; Informing the audit risk assessment for London Borough of Lewisham and Pension Fund 2022/23, to contribute towards the effective two-way communication between the external auditors and the Audit Panel. As part of their risk assessment procedures, they are required to obtain an understanding of management processes and Council oversight in a number of key areas.

7.2. The report is included within Appendix D.

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

8. 2022/23 Audit Plan

8.1. Grant Thornton, the external auditors for London Borough of Lewisham Council and Pension Fund will present the 2022/23 Audit Plan.

8.2. This includes key matters for Lewisham Council which Grant Thornton will primarily follow up within the 2022/23 Value For Money Work. Details on materiality, significant risks, accounting estimates, logistics and fees is also provided. The proposed timetable is shared which refers to production of the Audit Plan, Audit Findings Report, Audit Opinion and Auditor's Annual Report.

8.3. The report is included within Appendix E.

9. Financial implications

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

10. Legal implications

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

11. Equalities implications

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

12. Climate change and environmental implications

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

13. Crime and disorder implications

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

14. Health and wellbeing implications

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

15. Report authors and contact

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

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- 15.2. Sofia Mahmood, Chief Accountant, 020 8314 3684, sofia.mahmood@lewisham.gov.uk
- 15.3. Terence Madgett, Financial Accountant, 020 8314 7650, terence.madgett@lewisham.gov.uk

16. Appendices

- 16.1. Appendix A – Draft Audit Findings Report 2021/22 Action Plan Recommendations
- 16.2. Appendix B - Auditor's Annual Report (VfM) Recommendations 2021/22
- 16.3. Appendix C - Auditor's Annual Report (VfM) Recommendations 2020/21
- 16.4. Appendix D - Informing the audit risk assessment for London Borough of Lewisham and Pension Fund 2022/23
- 16.5. Appendix E – London Borough of Lewisham Audit Plan for the year ending 31 March 2023
- 16.6. Appendix F – London Borough of Lewisham Pension Fund Audit Plan for the year ending 31 March 2023

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.

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	<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 has been provided to Capital Project Managers in advance of year-end deadlines.</p> <p>There were still some issues where independent testing identified missed accruals, but improvements have been made when compared to previous years.</p>

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
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.
2022/22	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.

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
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 for P2 – June 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. Project due to commence in June-23

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
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 Complete	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. All 75 schools banks accounts have been reconciled as at 31st March, and their financial returns have been transferred to Oracle as at 31st May 2023.
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 Complete	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.

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
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 Complete	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
Financial Sustainability				
<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: 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 has been published on the Council website. •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. 		<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>Executive Director for Corporate Resources</p>	<p>where appropriate, actions will be incorporated into service plans.</p> <p>The Council is currently working on a draft Data Policy that seeks to embed the principles of data accuracy, integrity and ownership across the Council; the principle aim being effective use of data to inform better decision making. At present, the Data and Insights team have led a series of data workshops over the last 6/7 weeks to feed into the development of the Data Strategy, working with analysts, directors across the different services across the Council.</p> <p>The Council has now created and produced a Corporate Performance dashboard for Quarter 3 of 23/24 that reports service delivery against targets for key statutory indicators aligned to our Corporate Plan.</p> <p>Regarding the governance arrangements for the Digital Strategy (when launched), delivery will be reported through the Strategic Change Board, chaired by the Chief Executive which monitors the delivery of key projects across the Council. The IT & Digital Team have already set up a Technical Design Authority (TDA) that reviews, assesses and critically challenges new IT & Digital projects across the Council to ensure the solution proposed is the best approach for the service and the requirements can't be</p>

Recommendation	Impact	Management Comment	By whom	Progress
<ul style="list-style-type: none"> Exploring ways that equal attention could be paid to monitoring the performance of both its key subsidiaries. 		<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 Housing, Regeneration and Public Realm</p>	<p>met by existing digital solutions in place. The TDA comprises of Shared Technology Service, leads from Applications, Digital and Information Governance</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 in-year capital reprofile process has been implemented, allowing for updates to the capital programme profile twice yearly.
12	Improving economy, efficiency, and effectiveness 30	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

Informing the audit risk assessment for London Borough of Lewisham and Pension Fund 2022/23

Page 31

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

Table of Contents

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

Purpose

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

Background

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

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

Communication

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

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

Purpose

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

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p> <p>Page 36</p>	<p>The pausing / delay of aspects of the capital programme in respect of development plans for housing due to the adverse market conditions being experienced and shift of focus to acquisitions.</p> <p>The decision by Council to insource the management agreement activities of the Lewisham Homes ALMO in 23/24. Does not impact the 22/23 reporting period</p> <p>The winding up of the arrangements for the final Covid grant funding streams as they impact the collection fund and where amounts were still being held on behalf of government pending audit and reconciliation work. The majority of the latter having been returned to the relevant department in 2022/23.</p> <p>Not for 22/23 but it is likely that in 23/24 one secondary school is facing forced academisation in the near future following its Ofsted rating and another federation is consulting on forming its own Multi-Academy Trust which would take it out of local authority control, including the assets but leaving any liabilities.</p> <p>Impacts will be disclosed once known within the Statement of Accounts and/or Budget Monitoring reports.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by the Council and Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Yes – the current accounting policies of the Council are considered to be appropriate.</p> <p>No – there are no such events or transactions. The length of depreciation on assets, which is currently at 40 years will likely be considered as part of a development programme, as to whether for HRA and/or GF this should move to 50 years.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>There are Level 3 investments in the Pension Fund.</p> <p>The Council decided to look to use Certificates of Deposit for some investments in 22/23, in line with the TMS, but did not exercise this until 2023/24.</p>

General Enquiries of Management

Question	Management response
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	The Council was required to distribute the £150 energy support payment (totalling ~£18m) on behalf of Government, this was done via payments via the Post Office where possible and where not possible was paid via a credit to Council Tax bills for eligible residents.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Not at this time. This information will be collected from service areas as part of the year-end proforma. During the financial year 22/23 two housing schemes using modular construction, one general fund and one HRA, were impacted with the failure of the main contractor at a late stage of the offsite build. Works are ongoing to assess options on next steps. One option is abort the schemes and cost of works to date, which even with a successful insurance and bond claims, leaving a write down of the costs to reserves.
6. Are you aware of any guarantee contracts? If so, please provide further details	Not at this time. This information will be collected from service areas as part of the year-end proforma.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	Not at this time. This information will be collected from service areas as part of the year-end proforma.
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council and Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Legal Team uses support from external Counsel and external legal firms when needed. The service has recently moved to using Birketts for general advice and Trowers or Devonshire for housing advice. The Pension Fund has appointed Eversheds-Sunderland to provide specific tax and legal due diligence advice prior to the investment in a low carbon equity fund.

General Enquiries of Management

Question	Management response
<p>9. Have any of the Council or Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>No frauds reported at a scale to impact the financial statements, but following judgements on McCloud and Goodwin cases additional retrospective work continues to be completed to address any gender and age discrimination in payment of pensions.</p> <p>The Thames Water charging and Term Time Only refunds have been completed in 2022/23.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>We have consulted PWC with regard to housing and regeneration schemes, and also for VAT advice. For Treasury we use Link Asset Services for advice (they were used for regular benchmarking and interest rate and general economic forecasting in support of TMS and MTFS) and for Pensions we use Hymans Robertson as consultant and advisors (used for all investment strategy and risks, mandate advice and actuarial services) and Eversheds for pension fund investment contracts. We have also referred to Trowers for legal advice on the applicable financing obligations in respect of grants and right to buy receipts as applied to some housing transactions. The independent fixed asset valuations have been sourced from Wilks Head & Eve.</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>Expected credit losses are considered at least annually, taking into account past information, current conditions and forecast information to reflect credit risk. This is in relation to financial assets including lease receivables, loan commitments and financial guarantee contracts, where relevant.</p> <p>No losses have currently been identified.</p>

Fraud

Matters in relation to fraud

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

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

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

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

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

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

Fraud risk assessment

Question	Management response
<p>1. Has Council and Fund assessed the risk of material misstatement in the financial statements due to fraud including the nature, extent and frequency of such assessments?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council and Fund's risk management processes link to financial reporting?</p>	<p>Yes</p> <p>Lewisham Council maintains an effective control environment. However, like all large organisations, even an effective control environment cannot provide absolute immunity to fraud and error. The Council suffers a small number of such incidents each year arising from causes such as opportunistic theft, human error and deficiencies in control design among others. The Council's Anti-Fraud team (AFACT) identify and investigate these incidents, and provide each year a report on their activity. While the Council will continue to seek opportunities to improve its control efficiency, such incidents will continue to occur although the losses remain minor.</p> <p>In the context of responding to these enquiries we have had regard to your definitions of materiality and triviality set out in your audit plan. We have focussed our responses on only those matters which are (or have a reasonably foreseeable possibility of becoming) non-trivial, either individually or in aggregate".</p> <p>The Council has good arrangements including a counter fraud team, policies and procedures – overseen by the Audit & Risk Committee. The Council also has a whistleblowing policy with cases reported by the monitoring officer to the Standards Committee. These are set out in the Anti-Fraud and Corruption Team (AFACT) updates to the Audit & Risk Committee. No frauds have been identified which would be material to the Accounts; a number of housing and benefits cases have arisen and a small number of staffing cases. These are reported to EMT quarterly and annually to the Audit & Risk Committee and online as per the requirements of the Transparency Code.</p> <p>Service managers raise risks which may relate to finances which feed into Service Plans, Directorate and Corporate risk registers. Through the monthly financial monitoring process to EMT (quarterly to M&C) risks from business activity and change are discussed</p>

Fraud risk assessment

Question	Management response
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Treasury management activity and the Financial Transactions Team activity which includes accounts payable and corporate credit cards. A further class of activity would include Pension Fund valuations and transactions, hence the appointment of a custodian.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Council and Fund as a whole, or within specific departments since 1 April 2022? If so, please provide details	We are not aware of any such instances since 1 April 2022 (see general comment on fraud and error materiality within Q1).

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	All fraud is reported in the annual report to Audit & Risk Committee – this is scheduled for June 2023. In addition, the Head of Assurance provides a regular update to each meeting of the Audit & Risk Committee and presents the Counter Fraud reports noted above.
5. Have you identified any specific fraud risks? If so, please provide details	No
Do you have any concerns there are areas that are at risk of fraud?	No
Are there particular locations within Council and Fund where fraud is more likely to occur?	<p>(Specific Fraud Risks) – With reference to general comments on materiality, we have not identified any specific fraud risks at the Council that require mitigation beyond our existing operative control environment.</p> <p>(Concerns on areas at risk) – With reference to general comments on materiality, there are no areas of the Council that we currently are concerned as exhibiting fraud risks that require heightened response.</p> <p>(Particular locations) – Services that handle large transactions, such as investments and assets, are inherently at greater risk of creating non-trivial frauds. The same is true of accounting who hold the ability to alter the council's financial records through use of journals and estimated values. However, we do not believe these areas to represent heightened threat beyond that inherent risk and so mitigate through use of our existing control environment.</p>
6. What processes do Council and Fund have in place to identify and respond to risks of fraud?	From a fraud perspective, the internal control process is relied on to identify significant weaknesses (apart from Covid-19 funding activities, where there is a proactive programme to prevent fraud). If an investigation highlights a significant weakness, work is undertaken with the service area to resolve and make audit aware so this could be factored into future audits.

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Council and Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The risk of fraud is managed within the general financial control framework: Financial Regulations, Anti Fraud & Corruption Policy, Whistle-blowers policy etc. All of these policies, procedures and guidelines are reviewed on a regular basis and are submitted for approval to the Audit & Risk Committee or - if more appropriate - the Constitutional Working Party, the Standards Committee and/or the Public Accounts Select Committee.</p> <p>In the case of weaknesses resulting in fraud or the risk of fraud, any outstanding actions would also be reported to Audit & Risk Committee. In addition, the Anti-Fraud & Corruption Manager has a direct reporting line to the Head of Assurance if immediate action was to be needed.</p> <p>Staff training regarding ethical business practices and regarding the general financial control framework.</p> <p>We are not aware of any such override of controls or increased potential for override beyond inherent risk. We do not believe the Council delivers undue pressure over financial targets such as that raises the risk of misreporting. We have channels available, such as whistleblowing, if anyone ever experiences such pressure to raise issues (anonymously, if necessary) and have them investigated.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No</p> <p>The potential for material misreporting exists principally where officers are working with large entries in the financial statements, including investments, assets and through journals. We do not consider any of these areas to be at heightened risk beyond the inherent threat, and manage that risk through our control environment.</p>

Fraud risk assessment

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

Fraud risk assessment

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

Law and regulations

Matters in relation to laws and regulations

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

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

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

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

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Council and Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council and Fund's regulatory environment that may have a significant impact on the Council and Fund's financial statements?</p>	<p>Management relies on delivery of the approach set out in the Council's constitution, and on day-to-day management action including from the Council's legal and financial functions. The Constitution contains requirements to ensure that decision making is legally compliant, in particular that proper advice is taken and corporate implications are considered. (See Pt II ARTICLE 16 PRINCIPLES OF DECISION MAKING 16.1 Principles of decision making paragraph b: 'the decision maker will take professional advice (including financial and legal advice where the decision may have legal and/or financial consequences)'; Pt IV.D Executive Procedure Rules require decisions to be taken 'on the basis of written reports which contain service, legal and financial implications'; and Pt VIII Mayoral Scheme of Delegation Part H General paragraph 5: officers are required to take decisions 'in a manner that decisions are not made in isolation and that the decision maker takes into account the broader corporate implications for the Council'.)</p> <p>As set out above, decisions have to be made in compliance with the Constitutional framework. In addition, the Council's HR and other procedures (including requirements for declarations of interest by staff and members, and delivery of whistle-blowing and complaints policies) provide a framework to reduce the likelihood of non-compliance, and increase the likelihood of non-compliance being revealed.</p> <p>The McCloud and Goodwin judgements may have an impact.</p>
<p>2. How is the Audit Panel provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Audit Panel would be advised of any illegal practice through the Internal Audit reporting process or through the scrutiny of the Accounts process.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>No</p>

Impact of laws and regulations

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

Related Parties

Matters in relation to Related Parties

The Council and Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

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

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

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

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in the Council or Fund's financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and the Council or Fund whether Council and Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>Not at this time, although this will be reviewed as part of 2022/23 account preparation.</p>
<p>2. What controls does Council and Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members and senior managers are required to make a written declaration of interests each year, including nil returns where applicable. Members' declarations are published on the Council's website, and Members are also required to declare verbally any relevant interests at the beginning of each committee meeting. Material instances from the Council's viewpoint (that is, over £100k) are disclosed in the 'related party transactions' note to the accounts. Material instances from the related party's viewpoint are also considered for disclosure.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>These are as set out in the Constitution (including; decision-making principles, financial and procurement regulations, and schemes of delegation) supported by related operational procedure and system controls to ensure appropriate decision-making, segregation of duties and scrutiny (e.g. financial procedures, procurement handbook, Oracle controls and hierarchy, etc.).</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Any such cases have to go through the Monitoring Officer as Head of Legal Services to settle as per the Constitution. The MO will only do so in consultation with the s151 to assess the financial implications.</p>

Going Concern

Matters in relation to Going Concern

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

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

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

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

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Council and Fund will no longer continue?</p>	<p>Managements regularly monitors budget forecasts and variances for revenue & capital, cash flow position, borrowing affordability, reserves balances and collection of business rates, council tax and housing rents. One source of reassurance, relative to other Councils, is the CIPFA resilience index which compares the level of reserves held. These will provide early indicators of circumstances in which statutory services would no longer be able to continue.</p>
<p>2. Are management aware of any factors which may mean for Council and Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>No. Although there are risks, including only having an outline settlement for 2024/25, continuing challenges in respect of and income collection rates in a period of high inflation and ever increasing funding reliance on grant income pending the delayed local government fair funding review.</p>
<p>3. With regard to the statutory services currently provided by the Council or Fund does Council and Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Council and Fund to cease to exist?</p>	<p>Statutory services will continue to be provided by LBL & Pension Fund for the foreseeable future. There are no plans for LBL & Pension Fund to cease.</p>
<p>4. Are management satisfied that the financial reporting framework permits Council and Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes to both questions</p>

Accounting estimates

Matters in relation to accounting estimates

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

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

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

Specifically do Audit Panel members:

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

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

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>All such classes of transactions are disclosed in the accounts under the section of the accounts headed 'Statement of accounting policies' and the note to the accounts headed 'Assumptions made about the future and other major sources of estimation uncertainty'.</p> <p>This includes land, buildings & council dwelling valuations, depreciation, valuation of defined benefit net pension fund liabilities, level 2 & 3 pension fund investments, significant accruals, credit loss & impairment allowances, fair value of loans, provisions & PFI liabilities</p>
<p>2. How does the Council or Fund's risk management process identify and address risks relating to accounting estimates?</p>	<p>The Council's risk management process contributes in identifying risks that might indicate financial liabilities which should be reflected in the financial statements, for example as a provision or contingent liability. Senior Management receive quarterly reports of the Council's key strategic risks, including an update on implementing any additional controls. The Council's finance team will, where appropriate, use information from the risk register in identifying liabilities to be disclosed and/or valuing those liabilities through the management meetings that take place during closedown.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>Management reviews the methods, assumptions and source data used in the previous year's accounts and considers any significant events or changes in accounting standards during the year which may have altered these. These are discussed in the course of the management meetings that take place during the closing of accounts process.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Management reviews these by comparing the current year's results in these areas with the previous year's estimates. If a significant variance arises, this is investigated further to determine whether a change in methodology is appropriate and/or whether an explanatory note is required in the accounts.</p>
<p>5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?</p>	<p>No changes have been made, but this will be subject to review during the closing of accounts process.</p>

Accounting Estimates - General Enquiries of Management

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

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>The Council uses suitably qualified internal and external professionals. The CIPFA guidance is followed at all times and reviews are undertaken to ensure appropriateness and integrity of data. The results are audited externally as a final check.</p>
<p>12. How is the Audit Panel provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Audit Panel is given the opportunity to scrutinise the draft accounts and seek such assurance as appropriate. The draft accounts disclose the basis of accounting estimates used and provide confirmation that the relevant accounting standards have been adhered to regarding those estimates.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Current value, being the amount that would be paid for the asset in its existing use (existing use value – EUV)	By reference to Code of Practice and any other relevant standards	Yes	A limited degree of uncertainty is accepted, given the sensitivity to market conditions. This is reviewed during the audit process, and valuations may be adjusted accordingly. A note may be added to the accounts where the level of uncertainty is considered significant. Depreciated replacement cost (DRC) and fair value (FV) are alternative methods used in relevant circumstances.	No
Council housing valuations	Current value, using the basis of existing use value for social housing (EUV-SH)	By reference to Code of Practice and any other relevant standards. Valuations received are reviewed internally to ensure in line with expectations and queried as required.	Yes	A limited degree of uncertainty is accepted, given the sensitivity to market conditions. This is reviewed during the audit process, and valuations may be adjusted accordingly. A note may be added to the accounts where the level of uncertainty is considered significant.	No
PFI	A separate model is used for each PFI contract to calculate the accounting entries required at year-end.	The model calculations are compared with contractor charges.	The model was created by PwC UK	The calculations include RPI and may include adjustments for deductions based on availability and/or performance or benchmarking.	None
Depreciation	Straight-line method based on the asset's useful life	By reference to Code of Practice and any other relevant standards. The depreciation method is in line with the code and is reviewed yearly, it is calculated by an approved Fixed Asset register package and checked before being processed.	No	The length of useful lives is reviewed periodically. Depreciation is not charged for assets with an indeterminable finite useful life.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	<p>Actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.</p> <p>Based on IAS19 assumptions and calculations for the year and the latest triennial valuations</p>	<p>Management reviews the reports and valuations received from the external bodies tasked with carrying these out. The assumptions used are checked by reference to Code of Practice and any other relevant standards. Any material changes, in assumptions or values, compared to previous years, are queried”</p>	Yes	Some degree of uncertainty is expected – subject to the expertise of actuaries. If there is material uncertainty, this is noted in the accounts.	No
Level 2 investments	<p>Fair value, the basis of measurement being market value based on bid prices. More detail is shown in the pension fund accounts.</p> <p>Used in cases where quoted market prices are not available</p>		Yes	Some degree of uncertainty is expected – subject to the expertise of fund managers. If there is material uncertainty because of volatility of markets, this is noted in the accounts.	No
Level 3 investments	<p>Fair value, the basis of measurement being market value based on bid prices. More detail is shown in the pension fund accounts.</p> <p>Used in cases where at least one input that could have a significant effect on the instrument’s valuation is not based on observable market data</p>		Yes	Some degree of uncertainty is expected – subject to the expertise of fund managers. If there is material uncertainty because of volatility of markets, this is noted in the accounts.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value estimates	Financial liabilities at amortised cost – fair value estimated by calculating present value of cash flows over remaining term. Assumptions include PWLB borrowing rates or New Loan/Certainty discount rate or discussions with market participants.	Have been assessed with reference to Level 2 inputs, which give a reasonable estimate for the fair value	Yes	Specialist advice obtained from LINK. Market volatility can increase level of uncertainty..	No
Provisions	Various methods, all using relevant information available at that time, with reference to future cashflows.	Management review of estimates used in previous years, consider any change in circumstances that would give rise to amendments and payments already made.	No	Dependent on type of expenditure being provided for, but all relevant information is considered.	No
Accruals	The methods are various, but in general by using all relevant information that is available at that point in time, especially by reference to similar accruals in previous years	Management reviews the estimates used in previous years and considers whether there have been any changes in circumstances that would give rise to additional accruals or revised methodology.	No	Significant expenditure accruals can normally be determined with a reasonable degree of certainty. However, management may consider alternative options for recognising the liability if the situation is uncertain, for example by creating a provision.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	Expected credit losses are recognised on all financial assets held at amortised cost either on a 12-month or lifetime basis, where material. Impairment allowances are determined according to the particular factors for each type of debtor.	By reference to the CIPFA Treasury Management Code of Practice and the Council's Treasury Management Strategy. For impairment allowances, via regular management review.	Yes	These methods are considered to be appropriate and prudent, and any changes to the influencing factors, such as market volatility or economic downturn, are appraised by management as and when they occur.	Impairment allowance methodologies currently subject to review
Finance lease liabilities	N/A				
Infrastructure Assets	Depreciated historical cost, being the actual cost of their acquisition and subsequent enhancement less a reduction for depreciation to date.	By reference to Code of Practice and any other relevant standards	No	The length of useful lives is reviewed periodically.	No



London Borough of Lewisham Audit Plan

Financial year ended 31 March 2023

June 2023
Page 62



Contents



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Section	Page
Key matters	3
Introduction and headlines	7
Significant risks identified	9
Other risks identified	12
Group audit scope and risk assessment	13
Other matters	15
Progress against prior year recommendations	16
Our approach to materiality	18
IT Audit Strategy	20
Value for Money Arrangements	21
Audit logistics and team	22
Audit fees	23
Independence and non-audit services	26
Communication of audit matters with those charged with governance	28

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

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Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. These delays are exacerbated by capacity constraints in both local auditors and local government. A new workforce strategy is being developed by the director of local audit at the Financial Reporting Council, but improving the attractiveness of a career in local audit and local authority accounting will require a lot of focus. You can find more insight and guidance on the key challenges for local audit in our report. <https://www.grantthornton.co.uk/insights/report-key-challenges-in-local-audit-accounting/>

Key matters



The financial challenge

The Council's 2022/23 net revenue budget of £248.6m is significantly less than the £400m it was over a decade ago. Financial constraints have been imposed on Council services with year on year budget reductions. The Council's ability to identify, agree and implement further savings to service budgets has become ever more challenging. The Council were required to identify a further £11.8m of savings necessary to set a balanced budget for 2022/23 without the use of reserves.

2022/23 has continued to be a challenging year for the Council. At the 31 March 2023 the Council-wide outturn for the General Fund is an overspend of £22m. This position is partially mitigated by £2.4m of funding held corporately, drawdowns from Reserves and Provisions of £8.6m to cover the cost of the staff pay award and energy price increase and £4m of legacy covid funding. This leaves a remaining overspend of £7m. The key areas of financial challenge are:

- the number and complexity of childcare placements continues to increase the strain on Children's Social care budgets;
- in line with the majority of Local Authorities, the number of Education Health Care Plans (EHCP's) and the associated severity of targeted need continues to increase year on year. Approximately 1 in 3 pupils with a plan are likely to need transport support which also adds pressure to the budget;
- the number of people needing nightly accommodation has increased which has added a £4.1m pressure within temporary accommodation. The increase has also impacted the service in terms of landlord payments and recharges for housing benefit payments which have exceeded the caps and limits and therefore not payable through the Government benefits claim.

The 2023/24 settlement has provided a potential increase of 9.3% in council core spending power in cash terms (of which 6% forms part of the base general fund budget and the balance in the collection fund and specific grants), however this is still less than the published CPI inflation level of 10.7% in November 2022. Existing funding streams will continue; however, the Market Sustainability and Fair Cost of Care Fund will be replaced by the Adult Social Care Market Sustainability and Improvement Funding. The government expects these will support councils to meet the extra cost and demand-led pressures to keep providing services at pre pandemic levels. Despite this, there is continuing widespread concern that there remains a significant funding gap for the sector to meet all its statutory service requirements including Social Care. The government's response to this has been increasing the social care precept, and the overall social care grant funding. The Government confirmed the continuation of an increase of 2% to the Social Care (SC) precept on Council Tax in 2023/24, which will generate an extra £2.5m of revenue.

Key matters



Cost of Living crises

One in four households in Lewisham are now affected by food and fuel poverty with 61,000 local people falling behind on their bills, meaning they require financial assistance and/or will be accessing a food bank. On the 23 November 2022 the Council passed a motion to declare a Cost of Living Emergency, calling on the Government to use its powers to support people through the worst financial crisis to hit the country in decades. The Council has already provided over £7 million worth of support from council tax support, food and fuel vouchers, assistance with rent payments and securing residents somewhere to live.

Lewisham Homes

The Council established an Arm's Length Management Organisation (ALMO), Lewisham Homes in 2007. A new management agreement between the Council and Lewisham Homes was agreed in June 2017 for ten years with a break clause which allows the Council to give six months' notice before the fifth anniversary of the agreement. On 7 December 2022 Mayor and Cabinet authorised the Executive Director, Housing, Regeneration and Public Realm in consultation with the Monitoring Officer and Section 151 Officer to negotiate termination of the management agreement with Lewisham Homes and negotiate a mutually acceptable date to transfer the landlord service to the Council as soon as practicable. The Development team within Lewisham Homes have returned to the Council on 1 February 2023. The corporate functions of Finance, Procurement, and IT along with Temporary Accommodation and Tenant Management Organisation support are returning on the 1 May 2023. All the remaining Management Agreement services are expected to return on or around 1 October 2023. As a small amount of staff in the development team transferred in the year there is unlikely to be a significant impact on our audit. The Council will need to inform the actuary of the transfer for the IAS19 pension liability calculation.

Key matters



Our Responses

- There has been a delay in signing off the Council's 2021-22 financial statements. This is due to additional information coming to light following the March 2022 pension fund triennial valuation that has resulted in amendments to the financial statements and some additional audit work. This is expected to be resolved by early July and has no impact on this plan or our ability to continue with the 2022-23 audit.
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Executive Director of Corporate Resources.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to review the progress the Council has made against the agreed actions in respect of matters identified through previous audit work, either on the financial statements or in respect of work on arrangements to secure VFM.
- We will continue to provide you and your Audit Panel with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control- refer to page 9.
- We identified a significant audit risk relating to a purge of data on the general ledger which prevented the Council making payments from some feeder systems in the period April to June 2022. We will undertake testing on the manual processes that the Council implemented at short notice to ensure companies continued to receive payments for services delivered to the Council.

Introduction and headlines

Purpose

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

Respective responsibilities

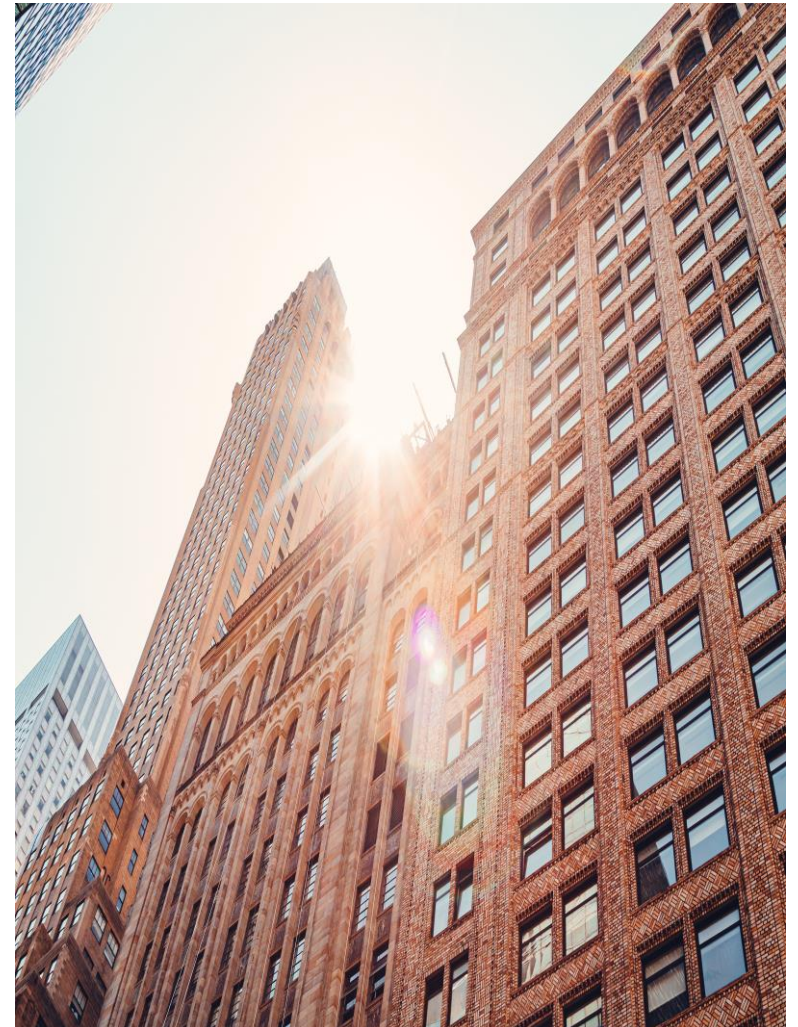
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment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

Scope of our audit

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

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

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



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls.
- Valuation of land and buildings.
- Valuation of the pension fund net liability.
- Accuracy and completeness of manual payments made between April to June 2022.

We will need to increase the scope of our work for the period when the Council processed some of its payments manually. This is likely to involve the use of our IT auditors.

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

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of Lewisham Homes Limited and Catford Regeneration Partnership Limited. There will be a small change in the group structure as some staff transferred from Lewisham Homes back to the Council within 2022-23.

Materiality

We have determined planning materiality to be £16.8m (PY £16.8m) for the group and £16.5m (PY £16.5m) for the Council, which equates to approximately 1.5% of your prior year gross operating costs. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.825m (PY £0.825m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report. We will follow up on improvement recommendations raised in 2021/22 covering:

- Council's arrangements to improve savings performance.
- The development of a workforce plan/strategy.
- Development of actions to respond to a worst case scenario included within the Medium Term Financial Plan.
- Review of the Council's risk management arrangements.
- Improvements to governance arrangements.
- Increased reporting of non financial key performance indicators.
- Developing and implementing action plans from the LGA review.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our interim visit will take place in March 2023 and our final visit will take place from July 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £269,488 (PY: £253,289) for the Council, subject to the Council delivering a good set of financial statements and working papers.

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

Significant risks identified

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

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

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Completeness and accuracy of manual payments made by the Council between April to June 2022	<p>At the beginning of the financial year the Council encountered a systems issue that meant they were unable to process payments automatically from some feeder systems to clients/companies in the normal way. This information had to be manually uploaded onto the Council's creditor payments system. The Council reacted promptly to the issue and installed a manual workaround process to ensure suppliers were paid in accordance with agreed terms and conditions. The manual processes however, increase the risk over the accuracy and completeness of payments made. We are likely to require the use of our IT experts to assist us with our testing of the processes and reconciliations the Council implemented over this period.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure correct payments were made to suppliers on a timely basis; • review the work completed by Internal Audit in this area; and • undertake substantive testing on manual payments made between April to June 2022.
Valuation of the pension fund net liability	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£564 million in the Council's balance sheet at 31 March 2022) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice on Local Authority Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assess the accuracy and completeness of the information provided by to the actuary to estimate the liabilities; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of London Borough of Lewisham Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation Council Dwellings, Other Land and Buildings and Surplus Assets.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 72</p>	<p>The Council revalues its dwellings and land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£2.6 billion) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus properties) at the financial statements date.</p> <p>We will focus our audit attention on assets that have large and unusual changes and / or approaches to the valuation of Council Dwellings, Other Land and Buildings and Surplus Assets, as a significant risk requiring special audit consideration. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will report an updated risk assessment for valuation of land and buildings in our Audit Findings Report.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Completeness of non-pay operating expenditure and associated short-term creditors	<p>Non-pay expenditure on goods and services represents a significant percentage (60%) of the Council's gross operating expenditure. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>In the prior year our sample audit testing identified payments that have been coded to the incorrect financial year.</p> <p>We identified completeness of non-pay expenditure and associated short-term creditors as a risk requiring particular audit attention.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; and • obtain and test a listing of non-pay payments made in April and May 2023 to ensure that they have been charged to the appropriate year.

Page 73

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

Group audit scope and risk assessment

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

Key changes within the group:

On 7 December the Council decided to negotiate the termination of the management agreement with Lewisham Homes and negotiate a mutually acceptable date to transfer the landlord service to the Council as soon as practicable.

The development team transitioned from Lewisham Homes back into the Council on 1 February 2023. As the size of the team is small and occurred towards the year end, there will not be a significant change in costs from Lewisham Homes to the Council in 2022/23. The significant changes will occur in the 2023-24 year.



Group audit scope and risk assessment

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

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

Audit scope

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

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the group's financial statements, which resulted in 8 recommendations being reported in our 2021/22 Audit Findings Report. We will continue to follow up the progress on implementing the recommendations as part of our 2022/23 audit.

Page 77

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress implementation date June 2023	<p>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 to 31 March 2022. A correction journal of £2,286k was performed to ensure that the accounts balanced.</p> <p>The Council should investigate the how this initial imbalance arose.</p>	<p>Management have reinforced 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 Consolidated Income and Expenditure Statement 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.</p>
In progress implementation date June 2023	<p>Our cut off testing identified 2 errors (total value £749k) where payments were made for capital expenditure for works completed in 21/22, but had not been accrued for. The extrapolated error is £2,170k</p>	<p>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.</p>
Implemented	<p>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.</p>	<p>The Council has written these assets out the books and has now undertaken an exercise to ensure all assets are now tracked.</p>
Implemented	<p>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.</p>	<p>Discussions have been held between the Council and Lewisham Homes 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.</p>
Implemented	<p>Schools bank accounts were not all reconciled as at 31 March 2022. Some were reconciled at an earlier date.</p> <p>All schools bank accounts should be reconciled as at 31 March.</p>	<p>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.</p>

Progress against prior year audit recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress. No impact on the Audit Plan or our audit approach. The Council are strengthening arrangements in these areas.	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 is £2.7m.	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.
In progress. No impact on the Audit Plan or our audit approach. The Council are strengthening arrangements in these areas.	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 Controcc system to determine outstanding commitments to be raised as creditors at year-end. The Council should ensure the Controcc system is regularly updated.	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.
In progress. No impact on the Audit Plan or our audit approach. The Council are strengthening arrangements in these areas.	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.	Action will take place 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.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. Materiality at the planning stage of our audit is £16.8m for the group and £16.5m for the Council, which equates to approximately 1.5 % of your draft gross expenditure in the prior year.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
3	<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Panel any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Panel any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.825m (PY £0.825m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Panel to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,800,000	16,500,000	This benchmark is determined as a percentage of the Council's Gross Cost of Services Expenditure in year, which has remained at approximately 1.5%.
Performance materiality	10,920,000	10,725,000	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	840,000	825,000	This balance is set at 5% of overall materiality

Page 80



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 23.

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

Page 81

IT system	Audit area	Planned level IT audit assessment
Oracle Fusion	Financial reporting	We do not plan to test design and implementation of the ITGCs
Academy	Council Tax, Business Rates, Benefits, Grants, Housing Rents	We do not plan to test design and implementation of the ITGCs
Oracle HR/Payroll	Payroll	We do not plan to test design and implementation of the ITGCs
Altair	Pensions	We do not plan to test design and implementation of the ITGCs

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report. We will follow up on improvement recommendations raised in 2021/22 covering:

- Council's arrangements to improve savings performance.
- The development of a workforce plan/strategy.
- Development of actions to respond to a worst case scenario included within the Medium Term Financial Plan.
- Review of the Council's risk management arrangements.
- Improvements to governance arrangements.
- Increased reporting of non financial key performance indicators.
- Developing and implementing action plans from the LGA review.

Audit logistics and team

Planning and risk assessment

Interim audit
March 2023

Audit Panel
June 2023

Audit Plan

Year end audit
July to September

Audit Panel
November 2023

Audit Findings Report and Auditors Annual Report

By 30 November

Audit opinion

Joanne Brown, Key Audit Partner

Joanne is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit Panel, the Chief Executive and the Executive Director of Corporate Resources. Joanne will share her wealth of knowledge and experience across the sector providing challenge and sharing good practice. Joanne will ensure our audit is tailored specifically to you, and she is responsible for the overall quality of our audit work. Joanne will sign your audit opinion.



Page 83

Paul Jacklin, Senior Manager

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



Lakshmi Forster, Assistant Manager

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



Audited body responsibilities

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

Our requirements

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

- Produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement.
- Ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you.
- Ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing. These reports should be cleansed so that reversing transactions are removed.
- Ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit.
- Respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for London Borough of Lewisham to begin with effect from 2018/19. The fee agreed in the contract was £170,039. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

Page 84

Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.

Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.

- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £5,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

Audit fees

	Actual Fee 2020/21	Actual Fee 2021/22	Proposed fee 2022/23
Council Audit	£264,530	£253,289	£269,488

Page 85

Assumptions

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

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

Relevant professional standards

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

Audit fees – detailed analysis

New scale fee	£170,039
Group	£2,630
Reduced materiality	£6,575
Use of expert	£9,994
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	£500
Additional Requirements – Collection Fund Reliefs (Information Provided by the Entity) IPE Testing	£750
Value for Money audit – new NAO requirements	£20,000
ISA 540	£6,000
ISA 315	£5,000
Additional journals testing	£3,000
Infrastructure	£2,500
Quality review – response to FRC (Quality Partner)	£1,500
Triennial valuation work	£3,500
Other local factors – This will take account the likelihood of extra sampling, testing, new guidance plus the additional work we need to complete on the manual payments made earlier in the year.	£37,500
Total	£269,488

By setting the fees out in the plan the fee proposals are agreed and thereafter subject to PSAA approval

Independence and non-audit services

Auditor independence

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

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

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

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified/ No other services provided by Grant Thornton were identified

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

None of the services provided are subject to contingent fees.

Page 28

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teacher's Pension Return	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £269,488 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Capital receipts grant	52,388	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £52,388 in comparison to the total fee for the audit of £269,488 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Capital Receipts	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £269,488 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•	
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a	Respective responsibilities As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

Contents



Your key Grant Thornton team members are:

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Section	Page	
Key matters	3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
Introduction and headlines	5	
Significant risks identified	7	
Other risks identified	9	
Other matters	11	
Progress against prior year	12	
Our approach to materiality	13	
IT Audit Strategy	15	
Audit logistics and team	16	
Audit fees	18	
Independence and non-audit services	19	
Communication of audit matters with those charged with governance	20	

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Key matters



National context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping in to their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Fund Performance

During the year the Pension and Investment Panel has continued to implement the investment strategy. The Panel continues to focus on how the Fund collaborates with the London Collective Investment Vehicle to make greater progress in product development and transition of assets to ensure cost savings for members of the Fund. As at 31 December 2022, the value of the fund was £1.597bn, a decrease of £23.5m over the quarter. Since the 31 March 2022 the Pension Fund sold its equity investments in UBS and Blackrock and invested £260m into Storebrand Global ESG Plus and £76m Storebrand Emerging Markets ESG Plus.

The asset allocations will continue to move further towards the current benchmarks/long term strategic allocation as capital is called and the Fund transitions assets into new funds and or asset classes.

Triennial valuation

The Triennial Actuarial Valuation sets out the contribution rate for each employers in the Fund and help ensure solvency of the Pension Fund. This will ensure long term value for our beneficiaries and employers within the Fund. The overall rate for the fund has been maintained with an increase in funding level to 97% an increase from 90% at the 2019 valuation. The picture across all employers varies, with the Fund average contribution blended rate reducing to 22% from 22.5%.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Executive Director of Corporate Services.
- We will continue to provide you and your Audit Panel with sector updates providing our insight on issues from a range of sources and other sector commentators.
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk regarding management override of controls– refer to page 7.

Introduction and headlines

Purpose

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

Respective responsibilities

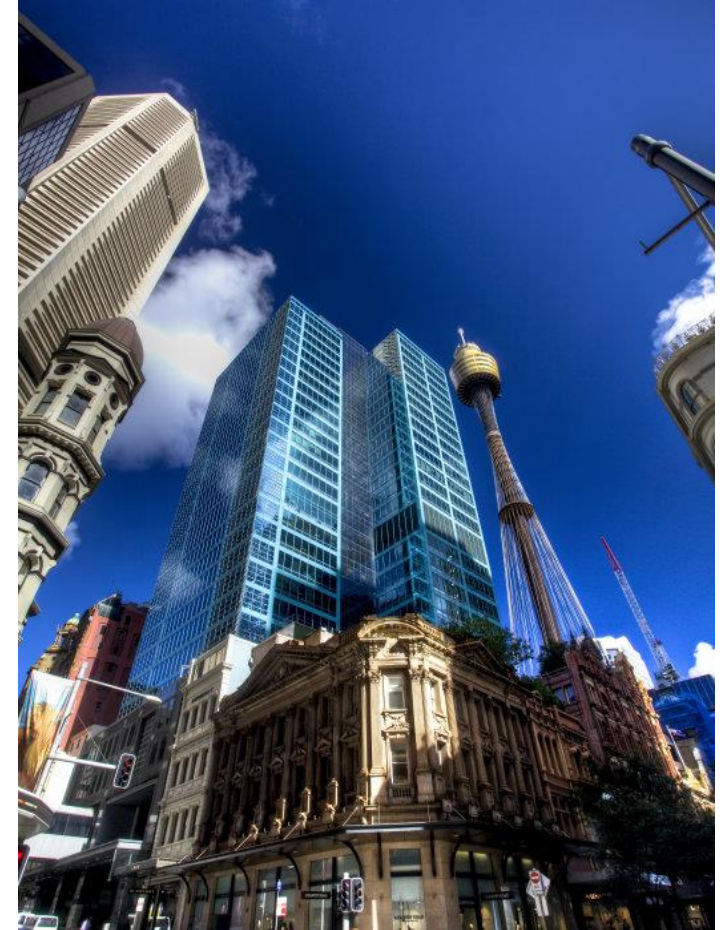
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Panel).

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

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



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Page 96
- The risk of management override of controls.
 - The risk that the valuation of level 3 investments and direct property investments in the accounts is materially misstated

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

Materiality

We have determined planning materiality to be £17.7m (PY £15m) for the Pension Fund, which equates to approximately 1% of your prior year gross investment assets. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.88m (PY £0.75m).

Audit logistics

Our planning and interim visit took place in March 2023 and our final visit will take place in July and August 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £49,056 (PY: £38,008) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

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

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Page 97</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the Pension Fund revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition. • Revenue is largely in the form of employee and employers contributions from the Council and Admitted and Scheduled bodies plus investment income from the fund managers so is relatively easy to predict. Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities, including London Borough of Lewisham, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk at for the London Borough of Lewisham Pension Fund.</p>	
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments Page 98	<p>The Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£151 million at 31 March 2022) and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently request year-end confirmations from investment managers and the custodian; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; • where available review investment manager service auditor report on design and operating effectiveness of internal controls.; • we will evaluate management's processes and assumptions for the calculation of the estimated direct property valuation, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; and • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other risks identified

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

Other risks identified continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Actuarial Present Value of Promised Retirement Benefits	<p>The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements.</p> <p>The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£2.3 billion) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • test the consistency of disclosures with the actuarial report from the actuary; and • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.
Actuarial valuation of the Fund as at 31 March 2022	<p>The Actuarial valuation of the Fund as at 31 March 2022 will be disclosed within the 2022-23 financial statements as a disclosure note.</p> <p>The valuation of the Fund as at 31 March 2022 is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Fund as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Fund's triennial valuation is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the triennial valuation; • test the consistency of disclosures with the March 2022 valuation report from the actuary; and • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report

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

Other matters

Other work

The Pension Fund is administered by London Borough of Lewisham Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

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

- Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
- Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
- Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
- Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

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

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Pension Fund's financial statements, which resulted in 2 recommendations being reported in our 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress implementation date May 2023	Management had challenges demonstrating the pension fund financial statements reconciled directly to the ledger. The Fund should continue to work with the custodian to improve coding of the accounts are prepared directly from the trial balance.	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
In progress implementation date May 2023	The 31 March Altair report to support the Membership details at that date had not been retained. Officers were able to run a subsequent report that detailed figures at 31 March 2022. The Fund should retain the 31 March Membership numbers report.	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 19th April to provide this. Altair is a live system, so membership data will vary on an ongoing basis.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the investment assets as at 31/3/2022 for the Pension Fund. Materiality at the planning stage of our audit is £17.7m, which equates to approximately 1% of gross investment assets.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
3	<p>Other communications relating to materiality we will report to the Audit Panel</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Panel any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Panel any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.88m (PY £0.75m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Panel to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

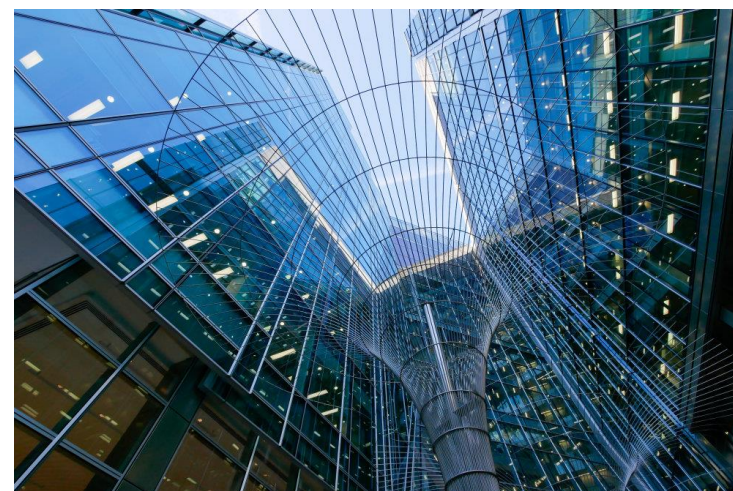
Overall materiality.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	17,750,000	This benchmark is determined as a percentage of the Funds Investment Assets, which has remained at approximately 1%.
Performance materiality	11,537,500	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	887,000	This balance is set at 5% of overall materiality



Fund Account materiality.

	Amount (£)	Qualitative factors considered
Materiality for the Fund Account	5,400,000	This benchmark is determined as a percentage of the Funds expenditure, which has been determined as 8%
Performance materiality	3,510,000	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	270,000	This balance is set at 5% of overall materiality



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 17.

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

Page 105

IT system	Audit area	Planned level IT audit assessment
Oracle fusion	Financial reporting	Streamlined ITGC design assessment
Oracle HR / Payroll	Payroll	Streamlined ITGC design assessment
Altair	Pensions Administration system	Streamlined ITGC design assessment

Audit logistics and team

Planning and risk assessment

Interim audit
March 2023

Audit Panel
June 2023

Audit Plan

Year end audit
July to September

Audit & Panel
November 2023

Audit Findings Report

Audit opinion

Audit Panel
January 2024

Auditor's Annual Report

Joanne Brown, Key Audit Partner

Joanne is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit Panel, the Chief Executive and the Executive Director of Corporate Resources. Joanne will share her wealth of knowledge and experience across the sector providing challenge and sharing good practice. Joanne will ensure our audit is tailored specifically to you, and she is responsible for the overall quality of our audit work. Joanne will sign your audit opinion.

Paul Jacklin, Senior Manager

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

Lakshmi Forster, Assistant Manager

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

Audited body responsibilities

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

Our requirements

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

- Produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes.
- Ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you.
- Ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing. These reports should be cleansed so that reversing transactions are removed.
- Ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- Respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017 PSAA awarded a contract of audit for London Borough of Lewisham Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £22,420. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Fund's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.

Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.

We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.

- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Director of Finance]

Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
London Borough of Lewisham Pension Fund Audit fees (excluding VAT)	£38,008	£49,056

Page 108

Assumptions

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

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

Relevant professional standards

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

Fees

Fee analysis

Audit fees	Estimated fee
Scale fee per PSAA for 2022-23	22,420
Investment valuation	5,036
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	500
ISA 540	3,600
ISA 315	3,000
Additional journals testing	2,000
Other local factors taking account of this takes account the likelihood of extra sampling, testing, new guidance etc.	12,500
Estimated fee	49,056

Independence and non-audit services

Auditor independence

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

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

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

Other services

No other services provided by Grant Thornton were identified

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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Audit & Risk Committee

Internal Audit Annual Report and Opinion 2022/23

Date: 22 June 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

The Accounts and Audit Regulations require an annual internal audit opinion on the overall adequacy of the Council's framework of governance, risk management and internal control. This report includes that opinion and summaries of supporting work. The opinion is generally positive but includes some observations on matters the Council should consider addressing in its Annual Governance Statement.

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

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

Timeline of engagement and decision-making

15 March 2022: Audit Panel approves Internal Audit Plan for 2022/23.

6 December 2022, 14 March 2023: Progress updates to Audit Panel.

12 July 2022, 28 September 2022, 12 January 2023, 6 February 2023, 23 March 2023: Progress updates to Corporate Assurance Board (Senior Officers)

1. Summary

- 1.1. This report outlines the Head of Assurance's annual opinion for the year 2022/23 on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control. It sets out the work supporting the opinion. That work is substantially finished; all testing is complete but we have a handful of reports published only in draft. Nonetheless, I am satisfied that sufficient work is completed and published to provide a robust overall conclusion.
- 1.2. On all three counts, the opinion holds the Council has adequate and effective arrangements. However, the opinion also includes some commentary the Council should consider addressing in its Annual Governance Statement.
- 1.3. We have completed our work in full conformance with the Public Sector Internal Audit Standards (the 'Standards'). Unlike in 2021/22 there is no External Quality Assessment to support that conclusion – we require such assessments only every five years. Instead that conclusion is based on a self-assessment, noting that we have addressed the handful of improvement points reported by our External Assessment in March 2022. We have also worked independently, free from undue influence of either officers or Members.

2. Recommendations

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

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

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- 3.2. It helps toward achieving all of those priorities through supporting efficient and effective governance, risk management and control.

4. Background

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

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

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

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards...”

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

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

- 4.3. The work planned to support the opinion was agreed by the predecessor body to this Committee (the Audit Panel) in March 2022. The Panel also received progress updates through the year.
- 4.4. In Lewisham, we deliver internal audit work primarily by an in-house team, supplemented by some contracted specialised and general support when needed. In 2022/23 that in-house team either all held relevant professional qualifications, or were working towards their achievement (our two internal audit apprentices). We have used PWC to provide specialist IT security audit, procured through a framework agreement. We have also used TIAA for general audit support through a competitive procurement awarded at the end of 2022.
- 4.5. In 2022/23 Lewisham Homes has had its own separate internal audit arrangements, largely delivered by a contracted provider (TIAA) and reported to its own Audit Committee. Our 2023/24 plan report in March 2023 gave an overview of how we intend to incorporate Lewisham Homes into our audit programming, and we will provide further detail to this Committee in our September 2023 progress report.

5. Statement on Independence and Standards Conformance

- 5.1. Lewisham’s internal audit service, both as delivered in-house and through external partners, has enjoyed complete and unfettered access to officers and records when undertaking our work. Officers or Members have not sought or gained undue influence over the scope, findings or reporting of our work.
- 5.2. The Head of Assurance serves as the Council’s “Chief Audit Executive” (the term used in the Standards) but also has broader responsibilities within the Assurance Division. These include responsibility for the Anti-Fraud and Corruption Team, the Council’s Insurance and Risk Management service and the Corporate Health and Safety Team.
- 5.3. I am satisfied those broader responsibilities do not present any significant independence risk that I must draw to the Committee’s attention. We have worked within the independence safeguards set out in our [Internal Audit Charter](#) (as agreed by the Audit Panel in December 2022). Therefore, I can confirm we have worked with full independence as required by Standard 1100.
- 5.4. Standard 2450 also requires the annual report include a statement on conformance with the Public Sector Internal Audit Standards. In 2021/22 we could rest that statement on an External Quality Assessment that reported the service ‘generally conforms’ (the highest of the three conformance levels). In 2022/23 we base that conclusion on a self-assessment, noting that external assessments are only required every fifth year. I also note, as reported to the Audit Panel during 2022/23, we have addressed the handful of improvement matters noted in our external assessment. Consequently I can confirm we have undertaken our work in conformance with the Standards.

6. Head of Internal Audit Opinion

- 6.1. The Standards prescribe no specific format or wording for the annual opinion. However, the layout below aims to mirror Standard 2450.

Scope and Time Period of the Opinion

- 6.2. I provide this opinion to Lewisham Council (the “Council”) for consideration in preparing its Annual Governance Statement, to be published alongside its financial statements for the year ended 31 March 2023. My opinion is supported by work completed up to and including the opinion date.

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Scope Limits

- 6.3. The role of internal audit need not cover only assurance and may also extend to consultancy, advice and strategic support. We have agreed with the Audit Panel the overall scope of our work in the Internal Audit Charter and the specific scope of work in year in the approved 2022/23 Internal Audit Plan.
- 6.4. However, the audit plan and internal audit's work more generally cannot address all risks across the Council and represents our best use of inevitably limited capacity. In approving the plan, the Audit Panel recognised these limits. Beyond this general disclaimer, I have no specific limitations of scope to report.

Consideration of work completed and reliance on others

- 6.5. I have drawn my opinion from the work completed during the year up to the opinion date shown below. The plan was approved by the Audit Panel in March 2022 and later developed in line with emerging risks and priorities.
- 6.6. As well as the in-house team, we have relied on work delivered by colleagues at PWC and TIAA. Our engagement with each firm is contractual and includes fulfilled guarantees on Standards conformance and auditor expertise. I am satisfied that work completed by PWC and TIAA is of sufficient quality to include as evidence supporting my opinion.
- 6.7. We also placed specific reliance on work undertaken in a joint review by inspectors from the Care Quality Commission, His Majesty's Inspectorate of Constabulary and Fire and Rescue Services and Ofsted inspecting how well the Council and its partners work together to keep children safe and support their families. We considered this review (which was [reported in January 2023](#)) as providing sufficient insurance to justify excluding the planned internal audit review of child safeguarding from our 2022/23 programme.
- 6.8. In completing my work I have placed no other specific reliance on external sources of assurance.

Information Supporting the Opinion

- 6.9. The remainder of this report summarises work completed in supporting the internal audit opinion.

- 6.10. My opinion draws on work carried out by and for the Lewisham internal audit service during the year on the effectiveness of managing risks identified by the Council and covered by the audit programme or associated sources of assurance. Not all risks fall with our work programmes. For risks not directly examined, I am satisfied an assurance approach exists to provide reasonable assurance on effective management.

Risk and Control

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

Overall Conclusions

Internal Control

- 6.14. I am satisfied that during the year ended 31 March 2023 the Council managed its internal controls to offer satisfactory assurance on their adequacy and effectiveness.
- 6.15. Within that opinion I note one significant area for improvement concerning how the Council achieves effective procurement, management and disposal of its physical IT assets. I have recommended that this area be acknowledged in the Council's Annual Governance Statement.

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Framework of Governance

6.16. I am satisfied that the Council's framework of governance for the year ended 31 March 2023 complies in all material respects with guidance on proper practices as set out in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government (2016)".

Risk Management

- 6.17. I am satisfied the risk management arrangements at the Council for the year ended 31 March 2023 are effective and provide satisfactory assurance.
- 6.18. Within my 2021/22 I noted some considerable space to develop the Council's risk approach to include its reporting, content and integration with wider-decision making. While there has been considerable progress during the year, including a new risk management framework seen by the Audit Panel in March 2023, that development continues and should be recognised within the Annual Governance Statement.

Other Matters

6.19. I have no other matters to report to the Committee as part of my opinion.



Rich Clarke CMIIA CPFA ACFS
Head of Assurance

13 June 2023

7. Internal Audit Work 2022/23

7.1. The table on the following page sets out engagement findings up to the opinion date. Where there are material matters concluded before the Committee meets I will provide a verbal update. In instances where work continues, I am satisfied it is sufficiently progressed that I can use its findings to support the opinion. We will update the Committee on further completed work in progress reports during the year ahead.

Internal Audit Engagements 2022/23

Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
2021/22 Engagements Completed after Opinion Report (x19)					
21/22-59	Asset Management	2 Med, 3 Low	Satisfactory	29-Jun-22	
21/22-43	Council Tax Reduction Scheme	None	Substantial	25-Jul-22	
21/22-16	Kelvin Grove Primary School	4 Med, 2 Low	Substantial	27-Jul-22	7.2
21/22-13	Haseltine Primary School	None	Substantial	28-Jul-22	7.2
21/22-54	Payroll	4 Med, 5 Low	Satisfactory	2-Aug-22	
21/22-17	New Woodlands Special School	3 Med, 5 Low	Satisfactory	8-Sep-22	7.2
21/22-32	IT Security Arrangements	1 Hi, 1 Med	Satisfactory	8-Sep-22	
21/22-51	Child Safeguarding Quality Assurance	4 Med, 4 Low	Satisfactory	8-Sep-22	
21/22-09	Eliot Bank Primary School	2 Med, 3 Low	Substantial	15-Sep-22	7.2
21/22-10	Gordonbrock Primary School	6 Med, 6 Low	Satisfactory	15-Sep-22	7.2

Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
2021/22 Engagements Completed after Opinion Report (x19... continued)					
21/22-19	Twin Oaks Primary School ¹	1 Med, 6 Low	Satisfactory	15-Sep-22	7.2
21/22-25	St Winifred's Catholic Primary School	8 Med, 5 Low	Satisfactory	21-Sep-22	7.2
21/22-99	Supporting Families Grant Verification	n/a	Certified	21-Sep-22	7.4
21/22-44	Banking	3 Hi, 1 Med	Limited	26-Sep-22	
21/22-37	Homelessness	2 Hi, 9 Med, 1 Low	N/A	3-Oct-22	7.5
21/22-04	Brent Knoll Special School	4 Med, 2 Low	Satisfactory	26-Oct-22	7.2
21/22-15	John Ball Primary School	10 Med, 6 Low	Satisfactory	2-Nov-22	7.2
21/22-46	Budget Management: Communities, Partnerships & Leisure Services	6 Med, 2 Low	Satisfactory	3-Nov-22	
21/22-26	Our Lady & Philip Neri Catholic Primary School	1 Hi, 4 Med, 3 Low	Satisfactory	8-Nov-22	7.2

¹ Known as "Sir Francis Drake" Primary at the time of audit

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Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
2022/23 Engagements Completed (x31)					
22/23-CE-03	Protect & Vaccinate Final Spend	n/a	Certified	27-Jun-22	7.4
22/23-CE-02	Contain Outbreak Management Fund	n/a	Certified	29-Jun-22	7.4
22/23-CE-01	Test & Trace Support	n/a	Certified	30-Jun-22	7.4
22/23-CE-04	Universal Drug Treatment Grant	n/a	Certified	20-Jul-22	7.4
22/23-CE-06	Green Homes Grant	n/a	Certified	14-Nov-22	7.4
22/23-SCH-08	Launcelot Primary School	7 Med, 9 Low	Substantial	5-Jan-23	7.3
22/23-RBE-A04	Contract Management	2 Hi, 3 Med, 2 Low	Limited	31-Jan-23	7.6
22/23-SCH-15	St William of York Primary School	3 Med, 14 Low	Satisfactory	2-Feb-23	7.3
22/23-SCH-20	Deptford Green School	1 Hi, 5 Med, 13 Low	Satisfactory	3-Feb-23	7.3
22/23-CE-05	Supporting Families Grant Certification	n/a	Certified	9-Feb-23	7.4
22/23-SCH-01	Chelwood Nursery School	2 Med, 8 Low	Substantial	20-Feb-23	7.3

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Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
2022/23 Engagements Completed (x31... continued)					
22/23-CE-07	Adult Weight Management Services	n/a	Certified	21-Feb-23	7.4
22/23-SCH-21	Forest Hill School	1 Med, 12 Low	Substantial	3-Mar-23	7.3
22/23-SCH-13	St John Baptist (Southend) School	2 Med, 4 Low	Satisfactory	27-Mar-23	7.3
22/23-SCH-19	Conisborough College	2 Med, 11 Low	Satisfactory	29-Mar-23	7.3
22/23-CE-08	Borough of Culture Arts Council Fund	n/a	Certified	11-Apr-23	7.4
22/23-SCH-24	Greenvale School	4 Low	Substantial	25-Apr-23	7.3
22/23-SCH-22	Trinity CoE School, Lewisham	4 Low	Substantial	26-Apr-23	7.3
22/23-SCH-10	Oakbridge Federation Schools	1 Hi, 5 Med, 13 Lo	Satisfactory	27-Apr-23	7.3
22/23-SCH-04	King Alfred Federation Schools	1 Med, 5 Low	Substantial	5-May-23	7.3
22/23-SCH-17	Addey & Stanhope School	1 Med, 14 Low	Satisfactory	11-May-23	7.3
22/23-RBE-A11	Wearside Depot Workshop	4 Med, 8 Low	Satisfactory	16-May-23	

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Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
2022/23 Engagements Completed (x31... continued)					
22/23-SCH-07	Kender Primary School	3 Low	Substantial	18-May-23	7.3
22/23-SCH-23	Abbey Manor College	3 Low	Substantial	18-May-23	7.3
22/23-SCH-09	Perrymount Primary School	1 Med, 2 Low	Substantial	19-May-23	7.3
22/23-RBE-A06	IT Asset Management	10 Hi, 10 Med, 1Lo	No Assurance	26-May-23	7.7
22/23-RBE-A12	Air Quality Strategy	9 Med, 2 Low	Limited	31-May-23	7.8
22/23-RBE-A13	Adult Safeguarding	1 Hi, 2 Med, 2 Low	Reasonable²	31-May-23	
22/23-RBE-A03	Contract Procurement	1 Med, 2 Low	Satisfactory	13-Jun-23	
22/23-RBE-B11	Bereavement Services	1 Low	Substantial	14-Jun-23	
22/23-RBE-A02	Key Financial Controls Mapping	n/a	n/a	14 Jun-23	7.9

² Audit engagement completed by TIAA who reported on their own assurance rating scale. "Reasonable" is broadly equivalent to "Satisfactory".

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Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
2022/23 Engagements Awaiting Final Report (x8)					
22/23-RBE-A08	Voids Management	Draft report with service for comment		Expected 22-Jun-23	
22/23-SCH-18	Bonus Pastor Catholic College	Draft report with college for comment		Expected 23-Jun-23	
22/23-RBE-A17	Special Needs Commissioning	Draft report with service for comment		Expected 25-Jun-23	
22/23-RBE-A15	Public Health Service Commissioning	Draft report with service for comment		Expected 26-Jun-23	
22/23-RBE-B09	Libraries	Draft report with service for comment		Expected 26-Jun-23	
22/23-RBE-A09	Community Infrastructure Levy	Draft report with service for comment		Expected 29-Jun-23	
22/23-RBE-B04	IT Network Architecture Governance	Draft report with service for comment		Expected 30-Jun-23	
22/23-RBE-B06	Food Safety	Draft report with service for comment		Expected 30-Jun-23	

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Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
2022/23 Engagements with partial or alternative assurance (x7)					
22/23-RBE-A10	Flood Management	Planning only, full work held for 23/24 for officer capacity			
22/23-RBE-B01	Elections	Extended planning exercise only (Type B engagement)			7.10
22/23-RBE-B03	Wholly Owned Company Governance	Extended planning exercise only (Type B engagement)			7.10
22/23-RBE-B05	Counter-Fraud & Corruption	Extended planning exercise only (Type B engagement)			7.10
22/23-RBE-B17	Parking Enforcement Contract	Extended planning exercise only (Type B engagement)			7.10
22/23-RBE-A16	Child Safeguarding	Alternative assurance by joint review			6.7
2022/23 Engagements removed from plan (x15)					
22/23-RBE-A01	Programme Management Office	Delay following service restructure. Engagement planned for 2023/24.			
22/23-RBE-A05	IT Application Support	Delayed by audit to support in-house training. Planned for 2023/24			
22/23-RBE-A07	Business Continuity Planning	Delay following service restructure. Engagement planned for 2023/24.			
22/23-RBE-A14	Client Contributions for Care	Cancelled due to audit capacity. Previous audit completed January 2022			

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Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
2022/23 Engagements removed from plan (x15... continued)					
22/23-RBE-B02	Communications	Delayed due to audit capacity. Planned for 2023/24			
22/23-RBE-B08	Building Control	Delayed due to audit capacity. Planned for 2023/24			
22/23-RBE-B10	Parks	Cancelled due to audit capacity Previous audit completed January 2020.			
22/23-RBE-B12	Early Years Education	Cancelled due to audit capacity.			
22/23-RBE-B13	Access & Inclusion	Delayed due to audit capacity. Planned for 2023/24			
22/23-SCH-02	Ashmead Primary School	<p>These six school audits all delayed into 2023/24 at the request each school individually. Typically the request for delay arose due to an actual or pending School Business Manager position vacancy. Previous audits:</p> <p>Ashmead Primary: Substantial Assurance, June 2019 Holy Trinity CofE Primary: No previous engagement on file St Bartholomew's CofE Primary: No previous engagement on file St James Hatcham CofE Primary: No previous engagement on file St Saviour's RC Primary: No previous engagement on file Stillness Junior School: Satisfactory Assurance, December 2019</p>			
22/23-SCH-06	Holy Trinity CofE Primary School				
22/23-SCH-11	St Bartholomew's CofE Primary School				
22/23-SCH-12	St James Hatcham CofE Primary				
22/23-SCH-14	St Saviour's RC Primary				
22/23-SCH-16	Stillness Junior School				

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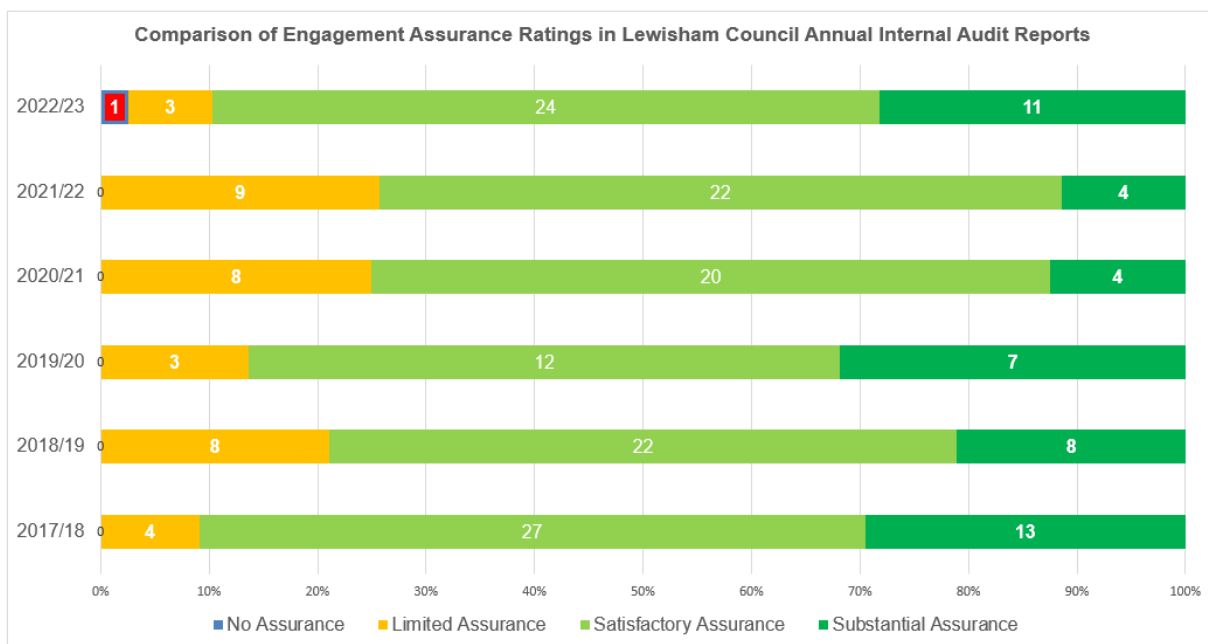


Figure 1: Stacked bar of comparative assurance ratings, sourced from prior-year reports

- 7.2. **2021/22 School Audits:** The 2021/22 school audit programme was entirely outsourced to a contracted audit firm. However, capacity issues at the firm led to only six of the planned audits being completed on time. Another ten (the schools listed in this report) were completed late. A further eight schools – a third of the programme – were not started. These difficulties contributed significantly to the decision to deliver the 2022/23 school audit programme using the in-house team.
- 7.3. **2022/23 School Audits:** We have prepared a separate report on the school audit programme. The report highlights best practice and common findings for the benefit of schools who were not part of the 2022/23 cohort. We will present the report to Schools Forum on 29 June, and it will be available through the school services website. The report is also attached here at Appendix A.
- 7.4. **Grant Certifications:** Each year we are asked to complete various grant certification engagements. Usually at request of the funding body (often a central government department), we must complete a directed work programme to provide assurance on the grant expenditure. These are typically one-off engagements often with short deadlines and limited notice. One recurring exception is the Supporting Families scheme, where we complete up to four engagements a year to help verify the Council's quarterly returns.

- 7.5. **2021/22 Homelessness Engagement:** This work does not have an assurance rating reflecting the time taken between completing fieldwork (December 2021) and eventual publication of the final report in October 2022. In the intervening period, the service had substantially updated its procedures such that we felt an assurance rating may mislead rather than provide assurance.
- 7.6. **Contract Management:** This limited-assurance report was summarised with further detail in a summary report to the Audit Panel in March 2023.
- 7.7. **IT Asset Management:** This no-assurance report is subject to a separate paper on the agenda of this meeting.
- 7.8. **Air Quality Strategy:** This limited-assurance report, completed by TIAA, highlighted the following issues. In each instance the service has agreed appropriate remedial actions whose implementation will be tracked by the in-house audit team.
- There are no key performance indicators to guide understanding progress against the strategy's milestones.
 - Various data quality errors in information reported to the Directorate Management Team, such as using a rolling average number of days above target rather than total days above target.
 - The need to ensure reporting thresholds are consistent between internal and external use. For example, using a threshold of "very high" NO₂ (400 µg per cubic metre) for internal reporting rather than the UK Air Quality Objective level (200 µg per cubic metre).
 - The need for clarity on the period covered by data reports, given that the recording technology does not support contemporaneous reports.
 - Move away from using a combined indicator from all five automatic monitoring sites in the borough, to reporting each separately.
- 7.9. **Key Financial Controls Mapping:** This work, commissioned from PWC, was not directly to provide assurance. Instead we sought a comprehensive map of financial system controls, especially on movement of information between systems, to help better focus our financial audit work in future years. We will use information gathered in this report to help shape accounts payable and accounts receivable work on the 2023/24 audit plan.

7.10. **B-Reviews:** Our 2022/23 audit plan recognised a significant range of council operations without any audit assurance for some considerable time. To help aid quickly increasing the level of audit knowledge in these areas, the plan included a number of ‘B reviews’. We intended these as extended planning exercises, with the intent that only some would graduate to full assurance reports. For the remainder, we would use our increased knowledge to help better schedule detailed work in future risk-based plans. Of the eight B reviews begun in 2022/23, we took four through to a full assurance report. Of the other four, one (Parking Enforcement Contract) is picked up in our 2023/24 audit plan. The remaining three we will consider for inclusion in the 2024/25 plan.

8. Agreed Action Follow Up

8.1. An important part of how internal audit seeks to drive governance improvements is through agreeing remedial actions to address findings arising from audit engagements. In 2022/23 we have identified a total of 225 findings, detailed in the chart below:

Findings Raised in Audit Engagements: 2020/21 to 2022/23

Inner ring = 20/21, Middle ring = 21/22, Outer ring = 22/23

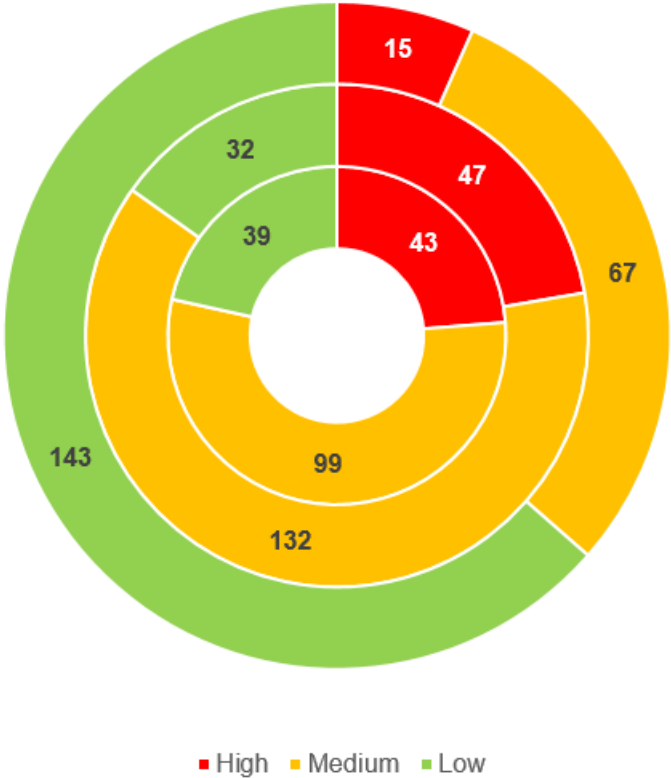


Figure 2: Engagement findings 2020/21 - 2022/23

- 8.2. We follow through to implementation all actions associated with high and medium severity findings. At medium level this is typically through self-certification. For actions associated with high severity findings we seek verification that management have completed the agreed action.
- 8.3. The table below sets out progress through the year in completing agreed actions.

Category	High	Medium	Total
Brought forward incomplete from 2021/22	57	109	166
Agreed in-year	35	74	109
Total Agreed Actions Open in 2022/23	92	183	275
Completed in-year	65	129	194
Carried forward incomplete to 2023/24	27	54	81
Overdue	14	31	45
Not yet due	13	23	36

- 8.4. Of the 194 actions completed in 2022/23, 76 were completed on or before the due dates agreed in the published final engagement report. This gives an overall ‘on time’ rate of 39%, which did not vary substantially between actions associated with high severity findings (38.5% on time) and medium severity findings (39.5% on time).
- 8.5. However, these numbers include a significant backlog of historic actions were we continue to pursue updates. We undertook a housekeeping review in 2022/23 to identify whether ‘historic’ actions retained merit in tracking, which resulted in clearing a number of more aged and superseded actions. However there are still 32 actions (12 high, 20 medium) dating from 2021/22 (and, in two cases, 2020/21) awaiting completion. We have recently agreed ‘current’ due dates for all these actions which fall over the next few months and all before the end of the year. We will track these actions closely and report to Members in the autumn on any further slippage.

8.6. On a more positive note, while the overall 'on time' completion rate is weighed down by historic actions we have seen a marked improvement in dealing with more recent actions. The completed 'on time' rate for actions raised after 1 April 2022 is 76%. This 'on time' rate also shows evidence of prioritisation; with the rate for actions associated with high severity findings (86.4%) leading the equivalent rate for actions associated with medium severity findings (72%).

9. Quality and Improvement Programme

9.1. As well as reporting the results of our 2021/22 External Quality Assessment, the 2021/22 annual report highlighted three areas of focus for improving our processes in 2022/23.

9.2. **Greater Emphasis on Planning:** We noted a typically short planning stage in many engagements, which potentially resulted in inefficiencies and confusion when completing the later fieldwork. In 2022/23 we revamped planning guidance in our files and set clear expectations on the manner and extent of planning documentation required before starting fieldwork. We have seen some considerable success from this approach in 2022/23, with no engagements abandoned after commencement (compared to losing 28 days to cancelled engagements in 2021/22). We've also found this approach helpful in supporting our two new apprentices take their first steps in internal audit. We continue to further refine this approach for our 2023/24 audit programme.

9.3. **Shorter, More Specific Actions:** We noted that, historically our actions could be somewhat verbose, leading to a lack of clarity on what was required of management to record its completion. In 2022/23 we aimed to keep actions short and focused, with a single-sentence at most and a clear understanding of resolution conditions. The significantly increased rate at which management are completing 2022/23 actions on time (see paragraph 8.6) is the most compelling example of the success we've had using this approach, which will continue in our work through 2023/24.

9.4. **New Reporting Templates:** We introduced new reporting templates in 2022/23, moving away from solely reporting by exception to give more transparent feedback where we reviewed areas that worked well. We also aimed to reflect the different audiences for our reports by segmenting, including an executive summary ahead of detailed testing results.

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- 9.5. Our new reporting templates received positive feedback through the year, and we continued to evolve the format in response to comments. We are currently working with our audit management software supplier to produce an 'automated' version of the template that will draw through information from the software direct into the report and so make our work more efficient. We expect the automated template to be available to support our 2023/24 reporting.

Development Focus Areas for 2023/24

- 9.6. Standards 1300 and 2450 require that we continue to look at ways to improve the audit service, aiming to secure continuous improvement. Our particular areas of focus for 2023/24 will be:
- 9.7. **New Global Internal Audit Standards:** On 31 March the Institute of Internal Audit (IIA) published a [consultation draft](#) of new Standards for the profession. These Standards are expressly aimed at raising quality and consistency being considerably more demanding than those currently in place. The number of specific demands on auditors is more than doubled. We are already largely conformant with the new Standards based in part on the insight into their development that comes with Lewisham's Head of Assurance being the Local Government representative on the Internal Audit Standards Advisory Board. The IIA will publish a post-consultation draft later this year aiming for the new Standards coming into force in late 2024. Our aim is to declare substantial conformance for our 2024/25 audit plan; a year ahead of requirement.
- 9.8. **Alignment With Risk Management:** This meeting also includes a paper on the Council's developing risk management. There is enormous potential for greater alignment with the work of internal audit to enhance the quality of both audit and risk management. We will be exploring ways to achieve that greater alignment through the year, including using risk information to shape audit planning and audit findings to guide risk scoring and actions to further mitigate risk.
- 9.9. **Incorporating Lewisham Homes:** Later this year we will take on responsibility for the internal audit of Lewisham Homes' operations as they re-incorporate with the Council. At the moment that internal audit is delivered primarily through an external contract (with TIAA) which runs until the end of 2023/24, supplemented by a small in-house team.

10. Financial implications

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

11. Legal implications

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

12. Equalities implications

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

13. Climate change and environmental implications

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

14. Crime and disorder implications

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

15. Health and wellbeing implications

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

16. Background papers

16.1. There are no background papers not otherwise referenced in the report.

17. Report author and contact

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

18. Appendices

- Appendix A – Schools Audit 2022/23 Overall Summary Report

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Schools Internal Audit Programme 2022/23

Summary Findings Report

Introduction and About the Programme

1. We have now concluded the 2022/23 school audit programme as originally laid out in the Audit Plan [approved by Members](#) in March 2022. Following an unsuccessful 2021/22 programme that relied heavily on contractor input we made a number of changes to how we undertook school audits in 2022/23. Judging from the feedback we've received (see later in this report), those changes were well received and have enabled us to successfully conclude the programme. We also relied, of course, on continuing support from the schools themselves, especially Headteachers and School Business Managers.
2. The principal change was to overhaul the testing programme. This involved broadening somewhat away from purely examining basic financial checks to also encompass governance controls guided by the [Schools Financial Value Standard](#). Though that created a demanding testing schedule, it provided a clear structure and enhanced the transparency and planning of our audits.
3. Supporting that expanded testing, we revised our reporting structure to share with schools the full results of our testing. Previously reporting 'exception only' risked a lack of clarity over what we had or had not considered in reaching our conclusion. While this made our reporting longer, we added markers within the report to help readers navigate its conclusions and supplied an additional 'one page' summary report of key issues.
4. We also sought to conduct audits in person wherever possible, using teams of auditors rather than individuals. This served to support the larger testing programme as well as enable our new apprentices to gain a valuable grounding in audit practice. This in-person goal exposed a long-standing uncertainty on whether our presence demands a Disclosure and Barring Service (DBS) check for our auditors. Notwithstanding any continuing discussion, we have nevertheless acted to obtain enhanced DBS checks for all our field staff and are happy to share that information with schools ahead of setting foot on site.
5. It is important to clarify what our audit does not cover, despite these changes. The audit remains, primarily, a review of arrangements rather than outcomes. This means we seek assurance that the controls are effectively designed and, often on a sample basis, complied with in practice. We cannot provide full assurance or eliminate risk of failure and responsibility for developing and maintaining a sound control framework rests with management. All control systems, no matter how well designed, are vulnerable to risk of failure following poor judgement, human error, subversion or unforeseeable circumstances.
6. The internal audit will and does comment on whether the necessary governance and reporting steps are in place in line with regulation and good practice. However, it will not and cannot provide assurance on the quality of a school's financial information or specific accuracy of budget forecasts, especially where these concern management's judgement on the likelihood of future events. Those judgements remain responsibility of school leadership.

Overall Opinion

7. We will provide a full Head of Internal Audit opinion to the Audit & Risk Committee on 22 June 2023. That opinion will consider the full breadth of internal audit work and associated assurance during the year, including our work in the schools audit programme.
8. However, looking at schools alone, we note that every school in the programme received a positive assurance report outcome. This meant that, in each individual school, the evidence we reviewed supported a conclusion that controls are at least generally effective in keeping risk to acceptable levels. While we noted improvements available to maintain efficacy or enhance efficiency, these findings did not undermine our overall positive conclusion.
9. On that basis, we are satisfied that during the year ended 31 March 2023 the Council's schools managed their internal controls and governance to offer satisfactory assurance on their adequacy and effectiveness.

Key Strengths and Areas for Improvements

Strengths

10. The fact that every school in the programme received a positive assurance rating speaks to the overall high quality of financial controls we encountered. In both design and compliance, we found schools operating effective control arrangements that support achievement of objectives. Some particular common strengths we noted included:
 - **Governing Body and Finance Committee Oversight:** We found consistently effective arrangements for Governing Bodies to oversee schools. Terms of reference were clear, meetings quorate and well-documented. We also found an awareness of skills gaps and plans in place to enhance where needed. While there is some room for improvement in supporting challenge on budget monitoring (see below), the general standard we found of Governor challenge was very high.
 - **Procurement Controls:** Notwithstanding some local exceptions, we found schools generally were very aware of and compliant with procurement controls for major purchases and contracts. This included making sure contracts were re-tendered rather than rolled over in perpetuity, and that those tender exercises were properly controlled and authorised.
 - **Accounting System Controls:** We found all schools had and were effectively using appropriate systems for tracking their finances. This included making good use of reporting tools to produce internal monitoring information and identify exceptions.

Common Findings and Actions

11. While conformance was generally very good, we noted some consistently recurring findings across the school population in 2022/23. Typically, these findings applied to a minority of instances where we examined a sample which is reflected in the overall positive assurance. However, they do represent areas of possible improvement where schools can act to strengthen controls.

Spending Controls

12. Some schools do not yet have comprehensive effective controls in managing purchase orders. We found examples of purchases made without raising orders in advance, incomplete orders or with the involvement of unauthorised or untrained staff.
13. All schools should:
- Raise a purchase order before committing expenditure. Purchase orders raised after the school has made a commitment (or even after receiving an invoice) are ineffective controls that do not help a school in managing spend.
 - Ensure purchase orders are complete, including the actual (or estimated) value of spend. Even where there may be uncertainty over the precise amount needed, including an estimated value will help manage spending and identify commitments.
 - Ensure staff involved in making purchases on the school's behalf understand and abide by the defined ordering process.

Budget Monitoring

14. The only test across the whole programme which failed more often than passed was in meeting the Schools Financial Value Standards requirement of supplying Governors with financial information six or more times a year. Most schools only presented three times a year including some who sent the same information to two different meetings each term.
15. We also found instances where financial reports presented to Governors lacked comparison with budgets and did not include any forward looking or forecast information.
16. All schools should:
- Present financial information to Governors at least six times each year. Some schools have set up informal channels (such as Teams sites) to allow Governors on-demand access to monthly financial information in between Governing body meetings to further help effective scrutiny.
 - Ensure financial reports clearly document performance against budget expectations, with explanations for variances where necessary.

- Include forecast information to help Governors evaluate whether the school's financial performance is on track. This should include details of any expected savings or additional income that inform forecasts.

General Administration

17. We identified some more minor administrative findings that recurred in several schools, summarised below:
- **Governors' DBS Checks:** Partly because of a covid-related move to remote meetings, several schools had Governors who had not been onsite since their last disclosure and barring service (DBS) check expired. *All schools should* make sure they track DBS expiry dates and plan to obtain relevant documentation from Governors even if they do not expect them to visit the school site.
 - **Schemes of Delegation and Procurement Rules:** We identified several instances where schools had not updated their procurement thresholds or schemes of delegation to match actual practice. We were satisfied in each instance that schools had acted responsibly but *all schools should* ensure they conduct an annual review of arrangements to make sure their documentation remains accurate.
 - **Asset Registers:** All schools we reviewed had asset registers, several being of very high quality. However, we commonly identified issues around maintaining registers as accurate where assets are moved, damaged or disposed. *All schools should* ensure they have appropriate arrangements and policies in place to guide maintaining asset registers and ensuring controlled and documented asset disposal.

Next Steps

2023/24 Audit Programme

18. We will launch the 2023/24 school audit programme towards the end of the summer term. As a first step this will involve contacting the relevant schools to make practical arrangements for sharing information and planning onsite visits. Our hope is to have all 2023/24 reports issued before May half-term 2024.
19. Before then we will also reflect on the 2022/23 programme and the feedback we've received. This may involve refreshing our reporting, testing programme or administrative arrangements. We will be in full contact with schools to advise of our requirements and remain grateful for any and all feedback we receive.
20. The following schools are provisionally part of the 2023/24 audit programme. In the table below, we have also noted details of previous audit visits and highlighted where our planned visit in 2023/24 has been postponed from previous years.

School on 2023/24 Audit Programme	Previous Assurance Rating and Report Date	Previously Cancelled Visits
Adamsrill Primary	Substantial Assurance 7 August 2018	None
Ashmead Primary	Substantial Assurance 23 June 2019	2022/23
Brindishe Federation ¹	Substantial Assurance 6, 10 January 2020 25 May 2022	None
Edmund Waller Primary	Satisfactory Assurance 17 February 2018	None
Holbeach Primary	Substantial Assurance 15 January 2019	None
Holy Trinity CE Primary	Not recorded	2021/22 and 2022/23
Kilmorie Primary	Satisfactory Assurance 19 July 2019	None
Marvels Lane Primary	Limited Assurance 18 March 2020	None
St Bartholomew's Primary	Not recorded	2021/22 and 2022/23
St James Hatcham Primary	Not recorded	2021/22 and 2022/23
St Michael's CE Primary	Substantial Assurance 12 July 2018	None
St Saviour's Primary	Not recorded	2021/22 and 2022/23
Stillness Junior	Satisfactory Assurance 2 December 2019	2022/23
Sydenham Secondary	Substantial Assurance 5 July 2019	None
Watergate School	Substantial Assurance 16 October 2018	None

Table 1: Schools identified for internal audit visit 2023/24

¹ Will include all three schools in the Federation: Brindishe Green, Brindishe Manor and Brindishe Lee Primary Schools.

Results of 2022/23 Audit Programme

Assurance Ratings Per School

21. We set out in the table below the overall assurance rating on every final report issued as part of the 2022/23 school audit programme. We include at Appendix A the assurance ratings definitions we use. Note that assurance ratings are specific to the circumstances of the school and the findings of our audit. They cannot and should not be read comparatively between schools as an indicator or guide to relative strength of control environments.

School	22/23 Assurance Rating and Report Date	Previous Assurance Rating and Report Date
Nursery Schools		
Chelwood	Substantial Assurance 20 February 2023	Satisfactory Assurance 1 December 2018
Primary Schools		
Launcelot	Substantial Assurance 5 January 2023	Satisfactory Assurance 19 November 2018
St William of York	Satisfactory Assurance 2 February 2023	Not recorded
St John Baptist CE	Satisfactory Assurance 27 March 2023	Not recorded
Oakbridge Federation ²	Satisfactory Assurance 19 May 2023	Substantial Assurance 5 November 2019 (R) Satisfactory Assurance 20 March 2019 (FP)
King Alfred Federation ³	Substantial Assurance 5 May 2023	Satisfactory Assurance 24 July 2019 (A) Not recorded (E)
Kender	Substantial Assurance 18 May 2023	Satisfactory Assurance 27 December 2018
Perrymount	Substantial Assurance 19 May 2023	Not recorded

² Joint report covering both Forster Park (FP) and Rangefield (R) Primary Schools

³ Joint report covering both Athelney (A) and Elfrida (E) Primary Schools

School	22/23 Assurance Rating and Report Date	Previous Assurance Rating and Report Date
Secondary and All-Through Schools		
Deptford Green	Satisfactory Assurance 3 February 2023	Limited Assurance 19 October 2018
Forest Hill	Substantial Assurance 3 March 2023	Satisfactory Assurance 28 November 2018
Conisborough College	Satisfactory Assurance 29 March 2023	Limited Assurance 7 March 2019
Addey & Stanhope	Satisfactory Assurance 11 May 2023	Satisfactory Assurance 2 October 2018
Trinity CofE	Substantial Assurance 26 April 2023	Limited Assurance 12 July 2019
Bonus Pastor	<Positive assurance rating, exact tbc> <i>NB: Draft report⁴</i>	Limited Assurance 10 April 2019
Special Schools and Pupil Referral Units		
Greenvale	Substantial Assurance 25 April 2023	Not recorded
Abbey Manor	Substantial Assurance 18 May 2023	Limited Assurance 16 November 2018

Table 2: Assurance Ratings for School Internal Audit Visits 2022/23

22. In addition, six schools were part of the initial planned programme for 2022/23 but postponed following a request from the school. Typically these requests came when a school was in the process of recruiting a new School Business Manager. These six schools are all part of the 2023/24 work programme.

⁴ Issued in Draft 24 May 2023.

All Findings and Actions Summary

23. Each final report includes a range of findings and related remedial actions, categorised on a 'High/Medium/Low' severity scale. We set out in the table below the total number of findings and actions identified across our school audit programme. We include at Appendix A information on how we categorise the severity of findings.

Finding Severity	Number of Findings	Agreed Actions
High Severity	2	1
Medium Severity	33	27
Low Severity	124	65

Table 3: Distribution of Findings and Actions across all schools in the 2022/23 audit programme

24. Schools can update us on progress towards fulfilling agreed actions [at this link](#). We may follow up actions as they fall due and report progress to Senior Management at the Council or its Audit and Risk Committee.

Controls Test Programme and Results

25. The full 2022/23 programme included more than 160 individual tests, not all of which applied in every individual school. For this report we've bracketed the tests into thirteen control themes. The percentages show the proportion of individual tests completed under each theme across the whole audited schools population that recorded a "fully conforms" result.

Control Theme	Conformance Proportion
Effective and Challenging Governing Body and Finance Committee	90%
Budget Monitoring and Management	89%
Business Continuity and Resilience Controls	93%
Workforce Planning, Benchmarking and Pay Progression	96%
Procurement Controls	91%
Asset Management and Capital Spending	91%
Counter Fraud and Security Controls	95%
Accounting System Controls	100%
Voluntary Funds Audit Controls	88%
Spending Controls	86%
Income Controls	91%
Banking Controls	94%
Recruitment, Leavers and Payroll Controls	95%

Table 4: Conformance with control themes in 2022/23 school audit programme - proportion of tests in each theme returning a 'conforms' result

Distribution and Acknowledgements

Distribution

26. We will include this report to support the overall internal audit opinion to the Audit & Risk Committee. We will also share with schools through the School Business Managers' Forum and with specific colleagues in the Council's Corporate Resources and Children & Young People's Directorates.
27. We will also share the report with the Department for Education and the Education and Skills Funding agency to aid their overall assurance work.

Acknowledgements

28. We rely on support from a wide range of school staff to successfully complete our work, especially Headteachers and School Business Managers. Our thanks go to all those who have helped complete this audit programme, in sourcing and providing information, answering queries, responding to reports and providing suitable accommodation to the audit team.

Feedback

29. In each report we invited the school to provide feedback on our process and their experience of the audit. Every school provided a response, and many included praise for the audit team. On a personal note, as Head of Assurance I am reliant on the professionalism and skill of my team in planning and conducting a wide range of audits. It seems appropriate to me after a year of great change to conclude this report by highlighting some of those comments.

"The audit process was supportive whilst being very in-depth and transparent at the same time as holding to account for financial and risk planning... [the audit was] made seamless by the professional and supportive approach"

"Our overall experience of the audit was good, the team were friendly, approachable and helpful throughout. Downloading the documents to TEAMS in advance really helped our preparation. The experience was considerably more positive and useful to the school leadership than previous local authority internal audits."

"Thanks to the team for battling snow and train strikes to reach us".

"The process is much more streamlined than it used to be, looking at higher level school strategies and assurances, in addition to the usual lower-level compliance. The new audit process is aligned with DfE expectations and as a school we felt this was helpful. The team were highly professional, and we all took something positive from the experience. The actions were fair, and we will act on all recommendations as per the schedule."

“The report format is very helpful and easy to follow. It is set out clearly and concisely, which helps us to navigate it easily. Once again, we found the experience to be helpful and pleasant.”

“We would like to express our sincere gratitude to the auditors for their professionalism and expertise during the audit. Their attention to detail and deep understanding of financial reporting was truly impressive and we are deeply appreciative of their hard work and recommendations, which will be put into practice”

“By way of feedback, the team were very pleasant to deal with and the non-confrontational approach made the whole experience, previously a stressful and anxious time, much more constructive.”



Rich Clarke
Head of Assurance

24 May 2023

Appendix: Ratings Judgements

Our reporting includes a range of assessed judgements, including the overall assurance rating. We reach these judgements after weighing information gathered during the engagement and our professional experience. There is no fixed formula for deriving specific ratings from the nature or number of findings. While we aim for broad consistency, each judgement is made in the context of its circumstances which may not replicate within or between engagements.

Assurance Ratings

Substantial Assurance	Limited Assurance
Controls are effective in keeping risk to acceptable levels.	Controls are not consistently effective and need action to support improvement.
Satisfactory Assurance	No Assurance
Controls are generally effective, but there are some improvements available to maintain efficacy or enhance efficiency.	Controls do not keep risk to acceptable levels. Action is needed to achieve improvement.

Finding Severities

High Severity	Poses a material threat to achievement of service objectives
Medium Severity	Will impede or hinder, but likely not prevent objective achievement
Low Severity	Unlikely to materially threaten objective achievement, including opportunities to improve system efficacy or efficiency



Audit & Risk Committee

Corporate Risk Register Update Q4 2022/23

Date: 22 June 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 March 2023.

The risk reporting appears in a new, interim, format as we work towards building out the Council's risk information in its new risk software (Pentana Risk) acquired in May 2023.

Audit Panel are recommended to **note** the Corporate Risk Register.

Timeline of engagement and decision-making

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

The Council's Executive Management Team viewed and commented on a draft of this information on 14 June. This report is adjusted for comments.

1. Summary

- 1.1. The Corporate Risk Register, detailed in Appendix A, is presented in a new format enabled by Pentana Risk, the bespoke risk software we acquired in May 2023. We are currently building out the software with information, reflecting its much greater capacity to identify, organise and track details related to risks, controls and actions. We are also awaiting full installation of the accompanying reporting module which ought to significantly enhance the consistency, detail and formatting of risk reports to all audiences.
- 1.2. As a result, this reporting is something of an interim position in including key risk information but not yet updating on controls and actions. We expect that information to be fully in place for reporting in September.
- 1.3. Moving the information across to Pentana Risk has afforded the opportunity for spot reviews and updates of several risks. We provide in this report additional narrative on any risks changed since last presented to this Committee in March.
- 1.4. We also provide in this report information on the continuing development of the Council's Risk Management Strategy 2023/24 and how it might shape reports to the Committee across the year.

2. Recommendations

- 2.1. The Audit & Risk Committee are recommended to:

- **Note** *this Corporate Risk Register*

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.

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4. Developing the Risk Management Strategy: Timeline

4.1. As previously advised to the Committee, we will be continuing to refresh the Council’s Risk Management Strategy and associated reporting through 2023/24. The chart below provides an overview on timing this work and, in particular, gives a guide to how the Committee might see its own reports develop through the year.

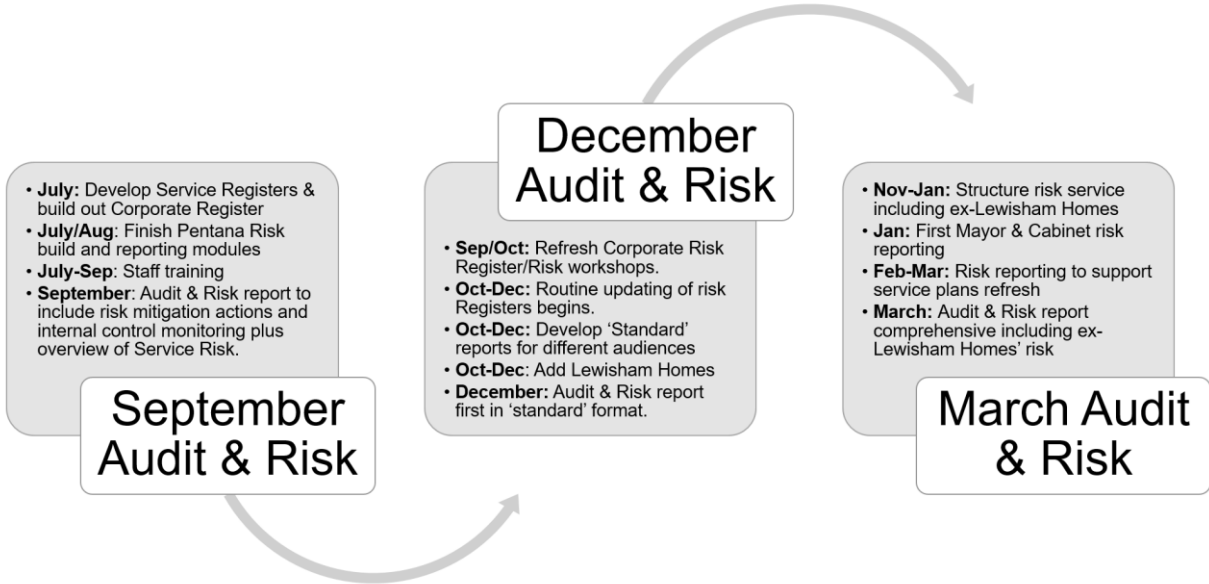


Figure 1: Diagram showing plans to develop risk reporting across 2023/24

4.2. One of the chief strengths of Pentana Risk is its ability to retain and manage a vast array of information that it can then present back in user-tailored reports. To that end we greatly value continuing feedback from audiences on the reports they receive and what information they’d like to see. As above, our aim is to develop a ‘standard’ Audit & Risk Committee report in the autumn. However, even beyond that date, we retain the ability to adapt reporting on request to provide more or different information. In particular, if the Committee wishes to continue undertaking ‘deep dive’ reviews of individual risks, we can supply individually tailored reporting to specific risks to support discussion.

5. Financial implications

- 5.1. Refreshing the Council’s risk management approach is being delivered 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, Q4 2022/23

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Appendix A: Corporate Risk Register

Risk Matrix – Q4 2022/23

The matrix below shows a summary of the 28 risks identified on the corporate register. Each is scored based on its **Current Risk**, meaning how we perceive it now based on present levels of control. There are 5x levels of impact and likelihood. The table below (figure 3) summarises in general what each level means. The numbers in the dots show how many risks are rated at that level. For example, the Register contains 7 risks that are rated “3” on Likelihood and “4” on Impact.

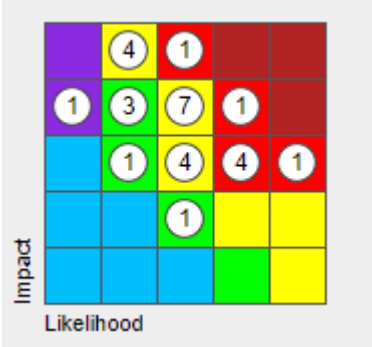


Figure 2 Risk matrix for Corporate Risk

The shading gives an overview of overall severity, ranging from Very High (dark red) to Very Low (blue) and including ‘high impact low likelihood’ rare events (purple). Note that some boxes are incorrectly shaded on the software and will be fixed imminently.

Impact Levels	Likelihood Levels
1 Lowest impact: will temporarily divert resources but likely cause no significant lasting impact on objectives.	1 Extremely unlikely: Around a 1/1,000 or smaller chance
2 Small impact: will divert resources and provide some limitations but not likely to significantly impact material achievement of objectives.	2 Very unlikely: Around a 1/250 chance.
3 Moderate impact: will impede but allow continued progress towards objectives until resolved.	3 Unlikely: Around a 1/50 chance.
4 Large impact: Will temporarily stall or seriously impair progress towards objectives until resolved.	4 Possible: Around a 1/10 chance.
5 High impact: Will effectively prevent progress towards objectives until the risk event is resolved.	5 Probable: Around a 1/2 or greater chance.

Figure 3: Table explaining risk scores, taken from Risk Management Framework 11/22

Risk Listing – Q4 2022/23 (Pentana Risk Format)

Code & Title	Score	Impact/Target	Likelihood/Target	Assigned To	Approach
RISK 111 Non-Compliance with Health & Safety Regulation	16			Daothong, Jennifer	Treat
RISK 191 Cyber security breach corrupts or locks down Council systems or data	15			Freeman, Kathy	Treat
RISK 251 Global commodity price increases or supply chain shortages	15			Freeman, Kathy	Treat
RISK 131 Impact of Climate Change	12			Hussain, Nazeya	Treat
RISK 141 Internal Control Framework Inadequacy	12			Freeman, Kathy	Treat
RISK 211 Failure to maintain sufficient management capacity and capability	12			Daothong, Jennifer	Treat
RISK 221 Pace of change negatively impacts service delivery and employee morale	12			Daothong, Jennifer	Tolerate
RISK 241 Failure to manage strategic suppliers and procurements	12			Freeman, Kathy	Treat
RISK 271 Building for Lewisham programme fails to use available funding and/or exc...	12			Hussain, Nazeya	Treat
RISK 301 Lack of provision for unforeseen expenditure or loss of income from fundin...	12			Freeman, Kathy	Treat
RISK 311 Failure to collect debt	12			Freeman, Kathy	Treat
RISK 321 Incidents of severe damp and mould in Lewisham Council Housing	12			Beckman, Fenella	
RISK 341 Loss of parking income due to being a greener borough	12			Hussain, Nazeya	Tolerate
RISK 351 Workforce attraction and retention	12			Daothong, Jennifer	
RISK 151 Child Safeguarding Failure	10			Ghoshal, Pinaki	Treat
RISK 171 Adult Safeguarding Failure	10			Brown, Tom	Treat
RISK 291 Inability to set a balanced budget	10			Freeman, Kathy	Treat
RISK 401 Council wide financial failure impacting on service delivery	10			Freeman, Kathy	
RISK 091 Information Governance Failure	9			Freeman, Kathy	Treat
RISK 201 Loss of constructive employee relations	9			Daothong, Jennifer	Treat
RISK 281 Failure to comply with consumer standards set by Regulator of Social Hou...	9			Beckman, Fenella	Treat
RISK 331 Local Plan Not Proceeding	9			Hussain, Nazeya	
RISK 101 Governance Failure In Implementing Service Change	8			Chambers, Jeremy	Tolerate
RISK 121 Failure to anticipate & respond to legislative change	8			Chambers, Jeremy	Tolerate
RISK 231 Failure to agree with partners integrated delivery models for local health & ...	8			Brown, Tom	Treat
RISK 181 IT not fit for business need	6			Freeman, Kathy	Treat
RISK 261 Failure to manage performance leads to service failure	6			Daothong, Jennifer	Treat
RISK 161 Elections not conducted in line with law	4			Chambers, Jeremy	Tolerate

The risks are shown in order of overall score (impact x likelihood).

The dots indicate the specific Impact (left hand) or Likelihood (right hand) or each risk based on its CURRENT risk score. A dot in the fifth box (e.g. Risk 191 impact) equals a score of '5'.

The dark lines indicate the TARGET risk. So, a line that extends to the first box (e.g. Risk 191 Likelihood) shows a target risk score of '1'.

Where the line meets the dot, the risk is on target.

Colours reflect overall risk scoring. Some risks (e.g. 321) are yet to have a target score identified.

Figure 4: Current Corporate Register Risk Listing

Risk Listing – Q4 2022/23 (Table)

Note that this is the same information as figure 4, but in an alternative presentation. Highlighted risks have additional narrative detail later in the report describing changes since last presented. Also to note – risk is by its nature a live accounting subject to change and development. As described on the timeline above, that is especially true at Lewisham currently as we develop our approach. This will likely mean a substantial refresh of this listing soon, clarifying and updating the wording and scope of existing risks and giving a broader coverage to current issues such as Lewisham Homes integration and the risk of service disruption in housing (in IT, for example) during that integration. We expect that refreshed register to start coming through to Member reporting by the end of the year but will provide further interim updates while in progress.

Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Notes
			Imp	Lik	Score	Imp	Lik	Score	
Current High Risks (x3)									
111	Non-Compliance with Health & Safety Regulation	Chief Executive's	4	4	16	2	3	6	
191	Cyber security breach corrupts or locks down Council systems or data	Corporate Resources	5	3	15	5	1	5	
251	Global commodity price increases or supply chain shortages	Corporate Resources	3	5	15	3	2	6	
Current Moderate Risks (x22)									
141	Internal Control Framework Inadequacy	Corporate Resources	4	3	12	4	2	8	
131	Impact of Climate Change	Place	4	3	12	3	2	6	
211	Failure to maintain sufficient management capacity and capability	Chief Executive's	4	3	12	3	2	6	
221	Pace of change negatively impacts service delivery and employee morale	Chief Executive's	4	3	12	4	3	12	

Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Notes
			Imp	Lik	Score	Imp	Lik	Score	
311	Failure to collect debt	Corporate Resources	3	4	12	3	1	3	
271	Building for Lewisham programme fails to use available funding and/or exceeds financial parameters	Place	4	3	12	4	2	8	
301	Lack of provision for unforeseen expenditure or loss of income from funding streams	Corporate Resources	4	3	12	3	2	6	
321	Incidents of severe damp and mould in Lewisham Council Housing	Housing	3	4	12	[tbc]	[tbc]	[tbc]	
341	Loss of parking income due to being a greener borough	Place	3	4	12	[tbc]	[tbc]	[tbc]	
351	Workforce attraction and retention	Chief Executive's	3	4	12	[tbc]	[tbc]	[tbc]	
241	Failure to manage strategic suppliers and procurements	Corporate Resources	4	3	12	3	2	6	
151	Child Safeguarding Failure	Children & Young People	5	2	10	4	2	8	
171	Adult Safeguarding Failure	Community Services	5	2	10	4	2	8	
291	Inability to set a balanced budget	Corporate Resources	5	2	10	4	1	4	
401	Council wide financial failure impacting on service delivery	Corporate Resources	5	2	10	[tbc]	[tbc]	[tbc]	

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Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Notes
			Imp	Lik	Score	Imp	Lik	Score	
091	Information Governance Failure	Corporate Resources	3	3	9	3	2	6	
201	Loss of constructive employee relations	Chief Executive's	3	3	9	3	2	6	
281	Failure to comply with consumer standards set by Regulator of Social Housing	Housing	3	3	9	3	2	6	
331	Local Plan Not Proceeding	Place	3	3	9	[tbc]	[tbc]	[tbc]	
101	Governance failure in implementing service change	Chief Executive's	4	2	8	4	2	8	
121	Failure to anticipate and respond to legislative change	Chief Executive's	4	2	8	4	2	8	
231	Failure to agree with partners integrated delivery models for local health	Community Services	4	2	8	2	2	4	
Current Low Risks (x3)									
181	IT not fit for business need	Corporate Resources	3	2	6	3	1	3	
261	Failure to manage performance leads to service failure	Chief Executive's	2	3	6	2	2	4	
161	Elections not conducted in line with law	Chief Executive's	4	1	4	4	1	4	

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Narrative on Specific Risks

211 Failure to maintain sufficient management capacity and capability

- Revised **up** from a likelihood of “2” to likelihood of “3” following recent and imminent vacancies at Executive Director level.

321 Incidents of severe damp and mould in Lewisham Council Housing

- New to Lewisham Council’s risk register following increasing coverage.

341 Loss of parking income due to being a greener borough

- New risk. Raised through service plans.

351 Workforce attraction and retention

- New risk. Raised through service plans and reflecting vacancy levels.

151 Child Safeguarding Failure

- Replacement risk. Previously scored 5x5, on reflection the risk was conflating two separate circumstances. First, the risk of any safeguarding incident happening anywhere in the borough regardless of whether the Council could or should have intervened to prevent or mitigate. Second, that a serious incident occurred where the Council’s actions or failure to act play a material part in it happening. The new corporate risk focuses on this second circumstance. The broader risk of safeguarding incidents will be managed as part of the service risk register.

171 Adult Safeguarding Failure

- Replacement risk. Parallel to the Child Safeguarding risk above.

291 Inability to set a balanced budget

- Replacement risk. Previous risk scored 5x5 and, on reflection, was conflating drawing its likelihood score from there being any overspend in year (very likely) and its impact score from there being an overspend on the scale that the Council’s core financial prospects are threatened (much less likely). Now split into two, this and 401 below, expressing different aspects of this financial risk.

401 Council wide financial failure impacting on service delivery

- See above (291).

091 Information Governance Failure

- Revised **up** from a likelihood of “2” to likelihood of “3” following recent contact with Information Commissioner’s Office.

331 Local Plan Not Proceeding

- New risk. Identified through service plans.

AUDIT AND RISK COMMITTEE		
Report Title	Exclusion of the Press and Public	
Key Decision		Item No. 8
Ward		
Contributors	Chief Executive	
Class	Part 2	Date: 22 June 2023

Recommendation

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

4. IT Asset Management

Agenda Item 8

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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