



AUDIT AND RISK COMMITTEE

Date: WEDNESDAY, 13 SEPTEMBER 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	Labour Co-op
Councillor Luke Sorba	L
Councillor Hau-Yu Tam	L

Independent Members

Mark McLaughlin
Andrew Jones
Stephen Warren
Marcus O'Toole

Members are summoned to attend this meeting



Jeremy Chambers
Monitoring Officer
Lewisham Town Hall
Catford
London SE6 4RU
Date: 13 September 2023

ORDER OF BUSINESS – PART 1 AGENDA

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AUDIT AND RISK INVESTMENT COMMITTEE MINUTES

Thursday 22 June 2023 at 7pm

Members Present:

In Person: Councillor Eva Kestner (Chair), Councillor Billy Harding, Councillor James Rathbone, Councillor Luke Sorba, Councillor Hau-Yu Tam.

Officers Present:

In Person: Rich Clarke (Head of Assurance), David Austin (Director of Finance), Tim Green (Head of Strategy & Technology), Kevin Ginn (Head of Operations), Hajera Khan (Committee Officer).

Present Remotely: Lasksimi Forster (Grant Thornton), Joanne E Brown (Grant Thornton), Paul J Jacklin (Grant Thornton), Kathy Freeman.

Apologies: Independent Member Stephen Warren, Councillor Suzannah Clarke

1. Election of Chair and Vice Chair

It was MOVED, SECONDED and AGREED that Councillor Eva Kestner be nominated as Chair of this Committee, and Councillor Billy Harding as Vice Chair.

2. Minutes

RESOLVED that the minutes of the meeting of the Pensions Board held on 14 March 2023 be agreed.

3. Declarations of Interest

No interest was declared.

4. External Audit Update

4.1 The Committee received and noted an update report introduced by the Chief Accountant on the following:

- The preparations for the 2022/23 closing of accounts and statutory external audit processes;
- The recommendations to the Action Plan 2021/22;
- Responses to the audit risk assessment for 2022/23; and
- The 2023/23 Audit Plan to be delivered by the Council's external auditors,

4.2 In considering the report, the Committee noted the following:

- That the deadline for concluding the Council's audit arrangements was missed in May 2023 but work on the interim activities was underway, with a view to publish the final report in November 2023.
- That actions related to the Value for Money (VFM) audit had been completed and closed.
- That officers were working on outstanding actions relating to the statement of accounts, with a view to finalise the recommendations.

4.3 The Committee also noted progress reported by the representatives from Grant Thornton the Council's external auditors as follows:

- That the activities for the 2021/22 external audit accounts were nearing completion, and most of the files had been revised with a view to publish the findings in November 2023.
- That due to a national issue, there had been a delay in the timetable for the current municipal year. Therefore, work to finalise arrangements for delivering the Audit Plan, Audit Findings Report, Audit Opinion and Auditor's Annual Report for the year ending 31 March 2023 would commence in July 2023 in time for a sign off in September 2023.

4.3.1 In response to a question, the external auditors advised the Committee that they are working within the timescales proposed.

REOLVED that the update report be noted.

5 Internal Audit Annual Opinion

The Head of Assurance presented the report to Members giving an overview of the 2023/24 Plan.

5.1 The Committee received an annual opinion report for the year 2022/23 presented by the Head of Assurance in relation to the adequacy and effectiveness of the Council's framework of governance, risk management and internal council, together with the work undertaken to support the opinion.

5.2 In considering the report the Committee:

- Noted the Head of Assurance's statement of its independent completion in compliance with the Public Sector Internal Audit Standards
- Noted information relating to the internal audit opinion.
- Noted that the assessment of the Council audit service undertaken by the City of London was a positive one, and plans would be in place to apply the relevant standards and consult on the findings.
- That the conclusion of the final report to be developed regarding the current year's internal audit processes would be based on the audit findings.

5.2.1 The Committee recognised that the audit programme of schools which was entirely outsourced to a contracted audit firm had been brought in-house, and it welcomed information that schools were benefiting from the support provided by the Council's Audit Team. It was noted that schools the in-house arrangement had presented an opportunity for schools best practice share on issues they might have about audit expectations on a local scale. The Committee requested a report back on how schools were adapting to the in-house arrangements.

5.3. Members asked questioned for the support available to the schools' audit, the Head of Assurance advised the Committee that his team would be working with schools to develop an action plan and that assistance would be provided to schools when necessary. The Committee was pleased to note that schools were encouraged to discuss with other schools that had been audited with a view to identify improvement opportunities.

RESOLVED that the report be noted.

6 Risk Management Update

6.1 The Committee received an update report presented by the Head of Assurance in relation to the corporate risk register.

6.2. In considering the report, the Committee noted recent rated risk listings on pages 152 and 153 of the agenda, including revisions to the risk register on page 156. It was recognised that as part of the review, actions were taken to manage mitigating factors with a view to minimise risk levels. The Committee also welcomed information that officers would be reviewing the Council's Risk Management Strategy and associated works throughout 2023/24 as indicated in the timeline guide on page 149 of the agenda report, with a view to develop a 'standard' Audit & Risk Committee framework by the autumn for reporting updates to the Committee. It was recognised that thereafter, officers would provide tailored reports on Members' requests, including support to any 'deep dive' reviews of individual risks that the Committee might want to undertake.

6.2.1 The Head of Assurance clarified to the Committee that the risks compiled in the corporate register were related to those which would affect key strategic objectives or with a broad influence across the Council, and not those that would affect individual service areas. The Head of Assurance added that the new management strategy considered in March 2023 proposed several changes to how the Council should assess risk with the principal aim of updating the risk register and feeding the information into decision-making process. It was recognised that Mayor and Cabinet would be overseeing the corporate register through regular progress updates, which would be delivered in a standard report matrix as illustrated on page 151 of the agenda, based on the rated impact and likelihood levels.

- 6.2.3 The Committee were satisfied that the corporate risk register would continue to be developed as an ongoing process, with a view to provide up-to-date information for identifying mitigating actions aimed at keeping risks at minimal levels. Information that the development of a risk management software was underway was welcomed by the Committee. It was noted that the new software would enable officers to scan audit trail on risks and track their movements, with viewing access for interested parties.
- 6.2.4 Further update noted by the Committee was that by September 2023, work would have commenced with the Council's strategic leadership team to undertake a comprehensive assessment of corporate risks, with a view to make it easier to apply scores across a scale of 1 to 5 when identifying and tracking their likelihood and impact levels.
- 6.5 Members asked questioned regarding risk, in response the Head of Assurance advised the Committee that, the risk lie with the officers. They want members to identify the risk and of there is anything out of the ordinary they can raise it. The risk register is an information led process. Members also asked if they can have further information on Reinforced Aerated Autoclaved Concrete (RAAC) at Lewisham Schools.

Action: Provide Members further information on use of Reinforced Aerated Autoclaved Concrete (RAAC) at Lewisham Schools.

(Head of Assurance)

It was RESOLVED that Members NOTED Corporate Risk Register

7 Exclusion of the Public and Press

It is recommended that under Section 100 (A)(4) of the Local Government Act 1972, the public be excluded from the meeting during discussion of this item because it involves the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of part 1 of Schedule 12A of the Act as set out below and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

“Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.”

Item 8. IT Asset Management

8 IT Asset Management

- 8.1 The Committee received and noted an update report introduced by the Executive Director of Corporate Resources with the support of Head of Strategy & Technology and the Head of Operations.

8.2 Members asked questions that were answered by the Executive Director of Corporate Resources and Head of Strategy & Technology and the Head of Operations.

It was RESOLVED that Members NOTED the actions being taken to address the audit findings.

The meeting ended at 21:05

Agenda Item 2



AUDIT AND RISK COMMITTEE

Declarations of Interest

Date: 13 September 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Head of Governance and Committee Services

Outline and recommendations

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

1. Summary

1.1. Members must declare any personal interest they have in any item on the agenda. 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.

1.2. Further information on these is provided in the body of this report.

2. Recommendation

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

3. Disclosable pecuniary interests

3.1 These 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.

4. Other registerable interests

4.1 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.

5. Non registerable interests

- 5.1. 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).

6. Declaration and impact of interest on members' participation

- 6.1. 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**
- 6.2. 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 6.3 below applies.
- 6.3. 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.
- 6.4. 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.
- 6.5. 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.

7. Sensitive information

- 7.1. 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.

8. Exempt categories

- 8.1. 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).

London Borough of Lewisham Audit Progress Report and Sector Update

August 2023

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4 August 2023



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

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Introduction

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

The paper also includes:

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

Members of the Audit and Risk Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

Progress at August 2023

Financial Statements Audit 2021-22

We have completed our work on your financial statements for 2021-22 and gave unqualified audit opinions on the Council and Pension Fund financial statements on 11 August 2023. We also gave our audit certificate that officially closes the 2021-22 audit.

Financial Statements Audit 2022-23

We undertook our initial planning and interim audit for the 2022/23 audit in February and March 2023. We presented our Audit Plan for the Council and the Pension Fund to the Audit and Risk Committee on 22 June 2023.

In accordance with our agreement with the Council, we were provided with the draft 2022/23 financial statements on 3 July 2023. The financial statements were complete. The Council are still updating the Annual Governance Statement.

Working papers to enable us to select our samples followed over the next few weeks. The audit has been slightly delayed due to staff changes within the finance team, but the Council have now appointed a new officer to lead on audit queries. We have selected our samples in all the major areas of the financial statements. The finance team are now providing evidence to support the sampled transactions and balances.

The financial statements for 2022-23 are subject to a review by our technical team and there are queries that we will need to work through with the Council over the coming weeks. The finance team continue to work closely with the audit team with both teams committed to completing the audit by the end of November 2023.

Audit Handover

The 2022-23 financial statements audit is the last year in which Grant Thornton will be your appointed auditor. KPMG have been appointed to complete the 2023-24 audit. When we hear from your new auditors we will liaise as required on areas such as opening balances so that the transition is as smooth as possible.

Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We anticipate issuing our Auditor's Annual Report by 30 November 2023.

Audit Deliverables

2022/23 Deliverables

	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit and Risk Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	June 2023	Completed
Audit Findings Report The Audit Findings Report will be reported to the November Audit Committee.	30 November 2023	Not yet due
Auditors Report This includes the opinion on your financial statements.	30 November 2023	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	30 November 2023	Not yet due

Sector Update

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

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

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

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

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

Public Sector

Local
government

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

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.

Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

Local government procurement and contract management-

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector¹. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

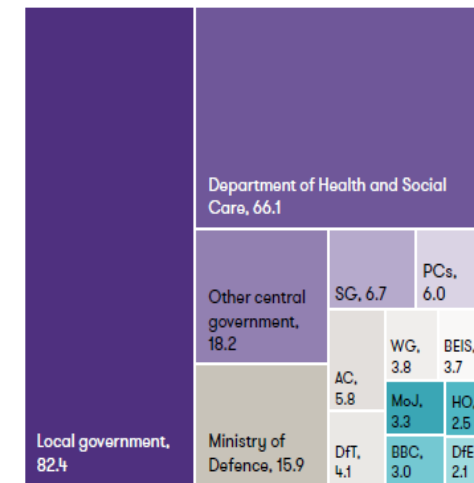
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

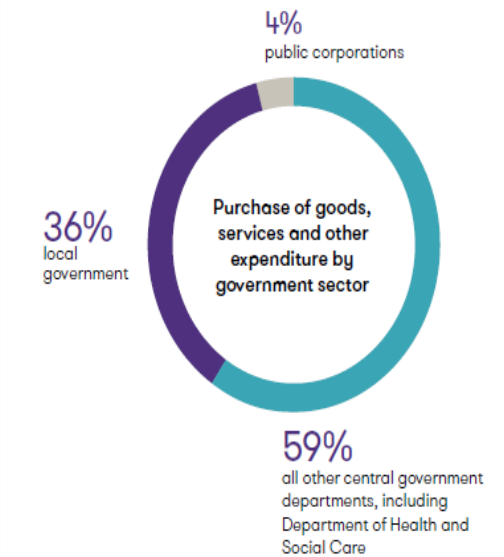
UK public spending

Public spending on goods and services, £ billions - analysis by segment and department²



PCs Other Public Corporations AC Academies
 DfT Department for Transport MoJ Ministry of Justice
 WG Welsh Government BBC British Broadcasting Corporation
 HO Home Office
 DfE Department of Education BEIS Department of Business, Industry Strategy
 SG Scottish Government

Goods, services and other expenditure by segment⁴



¹ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
² Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021
³ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
⁴ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

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The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before today's announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".



Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

“Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared. This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is **set to be broken**. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole. CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Click here for link to the article](#)



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Agenda Item 4



Audit & Risk Committee

Anti-Fraud and Corruption Team – Annual Report

Date: 13 September 2023

Key decision: No.

Class: Part 1.

Wards affected: All

Contributors: Rich Clarke, Head of Assurance
Carol Owen, Anti-Fraud and Corruption Team Manager

Outline and recommendations

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

We ask that Members **note** this report.

1. Summary

- 1.1. The year 2022/23 represented something of a return to 'normal' for fraud referrals. After nearly three years where a significant proportion (sometimes a large majority) of the team's work focussed on fraud compliance with Covid support grants. The reduction in Covid-related workload has also meant a resumption of more preventative and governance work, including fraud awareness training and a revised counter fraud policy (attached to this report).
- 1.2. Therefore, while we see something of an increase in cases when viewed year-to-year, there is no strong evidence that this represents an increase in the underlying level or vulnerability to fraud. While we cannot rule out that explanation, we see this more as an expected rebound to 'routine' referrals in line with a more general return to regular business. An example is in information requests under the Prevention of Social Housing Fraud (POSHFA) regulations. These regulations provide us with a powers to request additional information

from, for example, utility providers to help establish residence where that it a live issue in a fraud investigation. These requests dropped to 19 in 2020/21 and just five in 2021/22 reflecting the distribution of counter fraud workload. The rebound to 32 requests in 2022/23 is much more typical historically (2019/20 and 2018/19 both also saw 32 requests).

- 1.3. The report also refers to work completed by the team on behalf of Lewisham Homes. On 1 October Lewisham Homes returns to the Council's direct control, which will affect how we report but not significantly alter how we work. Notably, the two main contact officers we work with in Lewisham Homes will both transfer to the Assurance Division, supporting continuity in ongoing investigations.
- 1.4. A reduction in heavy responsive workload has also allowed us to look forward to more long-term strengthening the Council's counter fraud response. We recently advertised for an apprentice to join the team and hope to appoint later in September. The apprentice will work towards a professional qualification in counter fraud alongside one of the few fully qualified and accredited counter fraud teams in local government.

2. Recommendations

- 2.1. We ask that Members **note** this report.

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. This report aligns to all priorities through its role in supporting good governance.

4. Background

- 4.1. The A-FACT comprised five officers during 2022/23. The work is focused on special Investigations, housing, pre-employment checks for employees, and service level agreement with Lewisham Homes.
- 4.2. The special investigation work covers allegations involving employees, contractors, business rates, grants, blue badges and financial irregularities within or against Lewisham Council.
- 4.3. The housing investigation work covers fraudulent applications relating to Homelessness, Housing register, Right to Buy and Cash Incentive schemes. Investigations into subletting are conducted on behalf of our partners Lewisham Homes and several Registered Social Landlord (RSLs)
- 4.4. The referencing work covers pre-employment checks focusing on potential conflicts of interest and monies owed to the council for council tax etc, as well as investigating any anomalies with employment history etc.
- 4.5. We also support Lewisham Homes with more serious allegations of fraud within or against Lewisham Homes and pre-employment checks.

5. Investigation Work

Special Investigations

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

Summary of Special Investigations	2022/23	2021/22	2020/21
Bought forward from prior years	44	47	37
New Cases	112	67	76
Closed Cases	91	70	66
- Employee & Agency Closed with action	8	6	10
- Employee & Agency Closed no action	3	4	0
- Other Closed with action	50	41	43
- Other Closed no action	30	19	13
c/f	65	44	47

5.2. There were 8 staff cases concluded in the year resulting in action.

- 2 x resigned whilst under investigation
- 1 x Written warning
- 1 x not employed due to issues identified by pre-employment vetting process
- 4 x no fraud identified but procedural weaknesses identified and improved

5.3. There were a further 5 cases where Lewisham Homes decided not to employ potential staff due to discrepancies identified as part of our pre-employment checking service provided to them under the terms of the SLA. These are not included in the table above but are referred to in section 5.18 of this report.

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

Emp & Agency Case Analysis	2022/23	2021/22	2020/21
Dismissed/resigned & Convicted	0	0	1
Resigned/Dismissed incl agency	2	1	4
Other disciplinary or monies repaid	2	4	4
Management action incl process review	4	1	0
Identity or other issue cleared	0	0	1
Closed with no action	3	4	0
Total Employee & Agency Cases	11	6	10

Non Employee Cases 2022/23	Total Cases	Fraud Proven or Prevented	Evidence Provided	No Fraud / NFA	Req for info
Blue Badge	17	7	2	8	0
Direct Care Payments	4	2	0	2	0
Business Rates	7	1	0	6	0
Other cases	21	7	0	14	0
Information request	31	0	0	0	31
Total	80	17	2	30	31

- 5.5. The 17 cases where fraud was proven or prevented relate to
- 7 x Blue Badge cases – 1 prosecution, 2 seized & warnings issued, and 3 warnings issued.
 - 2 x Direct Payment for Care cases – Concerns identified which resulted in payments being stopped or reduced with a saving totalling £23k per year.
 - 1 x Business rates – Overpayment raised of £10k to recover fraudulently obtained Covid grant.
 - Other cases include two attempted mandate frauds, a fraudulent application for a Freedom Pass and advice regarding ceasing a relationship with an existing supplier in line with central government guidance.
- 5.6. In the table above “Requests for information” includes requests for data from other local authorities/organisations which will assist with investigations they are undertaking. On occasion this results in successful joint investigation if a fraud is also suspected against Lewisham.
- 5.7. The table below shows the breakdown of cases received and closed April to June 2023.

Summary of Special Investigations work	Apr-Jun 23
Bought forward	65
New Cases	21
Closed Cases	14
- Employee & Agency Closed with action	1
- Employee & Agency Closed no action	2
- Other Closed with action	10
- Other Closed no action	1
c/f	72

- 5.8. The 11 cases closed with action relate to
- 1 x Recommendation relating to the use of agency staff outside of the corporate contract.
 - 3 x Blue badge cases. One badge seized, one warning issued and one application refused
 - 5 x Requests for information
 - 1 x Fraudulent transaction on prepaid card.
 - 1 x Fraud awareness training provided for Social Workers.

Pre-Employment Checks

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

Summary of checks	2022/23	2021/22	2020/21
Checks completed	369	311	265
Action taken	31	28	32
Proportion with action	8%	9%	12%

5.10. The 32 cases can be broken down as follows

- 7 x repayment plans agree to pay outstanding Council Tax totalling £25,842.
- 16 x declared Company directorships checked for conflicts of interest.
- 7 x undeclared Company directorships identified.

5.11. A further case resulted in the offer of employment being withdrawn. This is detailed in section 5.2 of this report.

5.12. A table below shows the breakdown of cases received and closed April to June 2023.

Checks April - June 2023	
Checks completed	94
Action taken	11
Proportion with action	12%

5.13. Cases resulting in action can be broken down as follows.

- 4 x repayment plans agree to pay outstanding Council Tax totaling nearly £9k
- 5 x declared Company directorships checked for conflicts of interest
- 2 x undeclared Company directorships identified.

Energy Bills support Scheme

5.14. A-FACT worked with Council Tax to ensure that the Energy Rebate Scheme was subject to proportionate fraud checks to limit any opportunity for fraud whilst ensuring that residents can access the support in a timely and convenient method.

Anti-Fraud and Corruption Policy

5.15. The Council's Anti-Fraud & Corruption Policy has been reviewed and updated. The revised version is attached as appendix A.

Lewisham Homes

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

5.17. A-FACT also undertake pre-employment checks for Lewisham Homes, with 17 resulting in further action.

Lewisham Homes checks	2022/23	2021/22
Checks completed	98	92
Action taken	17	8
Proportion with action	17%	9%

5.18. Cases resulting in action can be broken down as follows

- 5 x repayment plans agreeing to repay over £14k
- 5 x declared company directorships checked for conflicts of interest
- 2 x Company directorships identified

5.19. A further five cases resulted in offers of employment being withdrawn. These are detailed in section 5.2 of this report.

5.20. The table below shows the breakdown of Lewisham Homes pre-employment checks received and closed between April – June 2023.

Lewisham Homes April - June 2023	
Checks completed	21
Action taken	2
Proportion with action	10%

Registered Social Landlord (RSL) and Housing Investigations

5.21. The table below summarises outcomes from RSL and Housing investigations.

RSL & Housing Cases	2022/23	2021/22	2020/21
b/f from prior years	41	26	29
New	97	54	29
Closed – No action	58	39	32
Closed – With action	14	10	4
C/fwd to future years	66	41	29

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

5.23. Cases resulting in action can be broken down as follows .

- 5 x tenancies recovered
- 7 x Applications for housing cancelled
- 1 x No. of bedrooms reduced
- 1 x Succession prevented

5.24. Whilst recoveries remain lower than prior to the pandemic referrals from the various housing partners have increased which should result in more successful cases going forward.

Local Government Transparency Code 2014

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

5.26. The data for 2022/23 is shown along with the two previous years for comparison. It should be noted that in the case of investigations into Business Rate grants only closed successful cases have been included due to the volume of checks conducted.

Data required	2022/23	2021/22	2020/21
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to require information) (England) Regulations 2014 or similar.	32	5	19
Total number of employees undertaking investigations and prosecutions of fraud	5	5	5

Data required	2022/23	2021/22	2020/21
Total number of professionally accredited counter fraud specialists	5	5	5
Total amount spent by the authority on the investigation and prosecution of fraud	£288,909	£283,844	£315,367
Total number of cases investigated (Not including covid grants)	181	154	156

6. Financial implications

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

7. Legal implications

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

8. Equalities implications

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

9. Climate change and environmental implications

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

10. Crime and disorder implications

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

11. Health and wellbeing implications

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

12. Background papers

12.1. There are no background papers.

13. Report authors and contact

13.1. If there are any queries on this report, please contact Rich Clarke, Head of Assurance rich.clarke@lewisham.gov.uk or Carol Owen, Anti-Fraud & Corruption Team Manager carol.owen@lewisham.gov.uk

14. Appendices

- Appendix A – Anti-Fraud & Corruption Policy 2023



Anti-Fraud and Corruption Policy

Date last Reviewed Sept 2023

Approved by: Pending approval

Version No 5

Next Review date August 2024

Document Owner Carol Owen, Anti-Fraud & Corruption Team Manager



Anti-Fraud and Corruption Policy

Introduction:

Fraud within the public sector is estimated to cost the taxpayer billions of pounds each year. Detected cases of fraud and corruption are on the increase and tackling public sector fraud is a major priority of the current government. Local authorities, which bear the brunt of losses through fraud, are now taking active steps to reduce and eliminate fraud at all levels within their organisations.

Lewisham Council has a zero tolerance to fraud and to this end the Council is committed to preventing fraud and corruption within all aspects of the Council's daily life, whether internal or external to its workings.

Lewisham is committed to establishing, and the public has a right to expect, the highest standards of probity and conduct in the administration of the borough. To this end, the Council is determined to eradicate fraud, financial malpractice and any other irregularity, which may call into question the integrity of the Council's operations.

The London Borough of Lewisham will take all appropriate measures to prevent, deter, detect and remedy fraud and this policy document is a statement of the Council's anti-fraud strategy.

The policy will ensure that the Council, its Councillors and its officers conduct themselves so as to be beyond reproach, above suspicion and fully accountable. No financial malpractice will be tolerated. Perpetrators can expect the Council to take a range of actions such as prosecution, disciplinary measures and restitution.

The aim is for Lewisham to be at the forefront of ensuring public probity in local administration and governance.

This policy supplements but does not replace the current Anti-Bribery Policy for the London Borough of Lewisham.

The Council has an Anti-Fraud and Corruption Team (A-FACT) dedicated to the deterrence, prevention, detection and investigation of any fraud or irregularities within Council proceedings. In addition, the Council's Internal Audit Section undertake annual plans based upon risk assessment, aiding management in its responsibility to ensure robust systems and enhancing the effectiveness of internal control.

The Council expects

- ✚ Only the highest standards from its members and employees;
- Nolan principles;

- Member Code of Conduct;
- Employee Code of Conduct;
- ✚ Managers to be responsible for ensuring that adequate controls, to minimise the risk of fraud, are in place;
- ✚ Members and employees to report incidents of irregularity to A-FACT;
- ✚ Contractors to act with integrity and adhere to the Council's Anti-Fraud and Corruption Policy and the Code of Practice for Contractors, Suppliers & Service Providers.

Definition of Fraud and Corruption:

Fraud:

Fraud is the illicit gaining of cash or other benefits by deception. The definition is wide-ranging but covers any actions by employees, Councillors, clients, partners, agents, consultants and contractors intended to misappropriate funds or other Council assets for personal gain.

The Fraud Act 2006 has placed the act of fraud into three categories:

- ✚ Fraud by misrepresentation;
- ✚ Fraud by failing to disclose information; and
- ✚ Fraud by abuse of position.

Corruption:

For the purpose of this policy corruption is defined as

'the offering, giving, soliciting or acceptance of an inducement or reward which may influence official action or decision making. These inducements can take many forms including cash, holidays, event tickets, meals etc'.

The public is entitled to expect the highest standards of behaviour from all those employees, Councillors, clients, partners, agents, consultants and contractors who work in local government. Conduct must never be influenced by improper motives. Councillors and employee are expected to maintain the highest standards of integrity and should abide by the Seven Principles of Public Life, as recommended by the Committee on Standards in Public Life (The Nolan Committee).

The Council is seeking to develop and maintain an environment which makes fraud and corruption undesirable to contemplate and difficult to perpetrate. All practicable steps are being taken to minimise the risk and effect of fraud and corruption by its Councillors, employees, customers or clients. The need for appropriate controls is acknowledged, and the Council will seek to sustain such controls in the administrative, financial, operational and computer systems employed in the delivery of external and internal services and management.

Councillors: As elected representatives of the public, Councillors have a duty to be fair, honest and open in their roles. They are bound by legislation, the Council's Standing Orders, the Council's Member Code of Conduct and adopted policies and procedures.

In particular, Councillors are required to declare and register any pecuniary interest they may have in companies, charitable organisations, voluntary groups or other relevant organisations. They are required to abstain from any debate or vote which

pertains to matters involving any such organisations in which they have an interest, and are required to leave the room during such debates.

All allegations of fraud and corruption involving Councillors will be investigated and treated equally, regardless of the perpetrator. Action will be taken in accordance the Council's procedure for handling complaints of breach of the Member Code of Conduct including referral to the Police if appropriate.

Management: It is the responsibility of all managers to ensure that there are appropriate and adequate controls in place within the systems for which they are responsible to minimise the risk of fraud. The Council expects that current recommended best practice would be followed at all times. Controls will be designed to deter, prevent and detect all forms of fraud and corruption and also identify a clear pathway for investigation.

Employees: All Council employees are bound by the Council's Code of Conduct and Disciplinary Code. Employees are also bound by the Council's Standing Orders, Financial Regulations, Financial Instructions and the Code of Practice for Receipt of Gifts & Hospitality. In addition employees who are members of professional bodies will also be expected to abide by any codes of conduct and/or professional ethics issued by those bodies.

All allegations of fraud and corruption by employees will be thoroughly investigated. Employees found to have improperly benefited from the Council through offences of fraud, theft, serious financial malpractice, or of using their position for personal gain or the gain of others, will be subject to disciplinary action. Where an allegation of gross misconduct is proven, an employee may be summarily dismissed. The Council will also seek to prosecute all offenders and recover lost monies or assets.

Initiatives may be conducted from time to time to ensure the continued integrity of those employed by the Council.

Contractors; Partners and Agents: The Council expects all of its contractors, suppliers, agents, partner organisations and individuals, to act with honesty and integrity. Client officers will be responsible for monitoring their actions and for ensuring that their terms of reference, agreements and/or contracts include a clause to the effect that the contractor must abide by the Council's Anti-Fraud & Corruption Policy and co-operate with fraud investigations by Council officers. The Council will seek to ensure that all its dealings will be conducted on the same basis and expects its Councillors and employees to lead by example.

Agency employees engaged by the Council are bound by the same rules as direct Council employees and are expected to uphold those principles contained in the Code of Conduct. Failure to do so will result in termination of their engagement.

The Public: Members of the public receive financial assistance and support from the council through a variety of sources. These include council housing, temporary accommodation, children's act payment, direct care payments, renovation and other housing related grants, right to buy discounts blue badges, voluntary sector grants and discounts on council tax and business rates.

The Council has a responsibility to protect public funds, assets and services from fraudulent activity. All allegations of fraud or other misuse of public funds by those receiving support from the Council will be thoroughly investigated by the Anti-Fraud & Corruption Team. The Council will seek to prosecute offenders and recover lost monies. Where a claimant is also an employee disciplinary action will be pursued.

Systems: Under the Local Government Act 1972, S151, each Council appoints an officer, at Lewisham the Executive Director of Corporate Resources, whose statutory duty is to ensure that proper arrangements are made to administer the Council's finances and financial systems. The Council acknowledges this role, supports the duties of the post and considers the Executive Director's advice on changes to systems of control, financial administration and associated rules and regulations.

The Council operates a system of managerial and financial control whereby the Executive Director of Corporate Resources has a formal responsibility for the finances of the Council, but in practice responsibility for financial monitoring and administration is devolved to officers in directorates. Under the system of financial devolution, Strategic Business Partners represent the Executive Director of Corporate Resources in the directorates and also support other Executive Directors and Budget Holders in discharging their financial and budgetary responsibility.

The authority recognises that prevention is better than cure and all managers must ensure that as far as possible their systems are protected by sound internal controls. It is the responsibility of all managers to establish and maintain systems of internal control and to ensure that the Council's resources are properly applied to the activities intended. This includes the responsibility for the prevention and detection of fraud, corruption and financial malpractice.

The Strategy:

Prevention:

Lewisham Council is committed to the aim of removing all forms of fraud and corruption from the Public Sector and in particular the activities, operations and services where the Council is a stakeholder, this is achieved by maintaining and promoting:

- ✚ An anti-fraud culture – A-FACT Service Plan;
- ✚ Internal Audit's continued role in assessing systems and controls-Internal Audit Plan;
- ✚ An awareness of fraud and corruption through a programme of employee and member training;
- ✚ The Council may publicise fraud issues and successful prosecutions;
- ✚ Council Policies which emphasise the role and responsibilities of the Employee, Manager and Member:
 - ✚ Constitution;
 - ✚ Financial Regulations;
 - ✚ Financial Procedures;
 - ✚ Member Code of Conduct;
 - ✚ Employee Code of Conduct;
 - ✚ ICT Acceptable Use Policy;

- ✚ Whistleblowing;
- ✚ Gifts and Hospitality;
- ✚ A-FACT Prosecutions & Sanctions Policy
- ✚ Contract of employment;
- ✚ Relevant departmental manuals.

- ✚ Pre-employment vetting of all new employees, agency workers and consultants;
- ✚ Joint working with other Public Sector organisations and enforcement agencies
- ✚ An Anti-Money Laundering Policy;
- ✚ The Code of Practice for Contractors, Supplier & Service Providers.

Deterrence:

Prosecution:

The Council has the right to refer attempted or actual cases of theft, fraud or corruption, by members of the public, clients, elected members, employees, agency workers, partners, consultants and contractors for criminal prosecution. The decision to consider Prosecution and/or other sanction will be made with reference to the Anti-Fraud & Corruption Teams Prosecutions and Sanctions Policy.

In all cases where fraud and corruption are found recovery action will be taken to ensure monies are recovered wherever possible.

The Council will seek to optimise the publicity opportunities associated with it's anti-fraud and corruption activity.

The Council will seek to make use of the asset recovery provisions of the Proceeds of Crime Act 2002.

Disciplinary Action:

Employees found to be involved in theft, fraud or corruption will face disciplinary action, but may also be prosecuted, depending upon the circumstances of the case.

Elected members will face appropriate action if found to be involved in theft, fraud or corruption against the authority. All cases will be referred to the Council's Monitoring Officer for referral to the Standards Committee. Prosecution may be considered depending upon the circumstances of the case.

Detection and Investigation:

Data Matching & Data Sharing:

The Council pro-actively uses data matches from such sources as the National Fraud Initiative (NFI). The Council will also share information using legislation or legal gateways available to us and our partners.

Referrals:

Referrals are received from many sources, some of these are listed:

- ✚ Internal Audit;
- ✚ Managers;

- ✚ Officers;
- ✚ A-FACT hotline;
- ✚ Anonymous letters;
- ✚ Whistleblowing Policy.

Investigation of Fraud and Irregularity:

The Anti-Fraud and Corruption Team investigates all fraud and irregularity reported to the Council. All members of A-FACT are accredited counter fraud officers. The Team encompasses Special Investigations and Housing Tenancy Investigations. The team will utilise all methods available to detect and investigate fraud. This includes data matching, open source research, surveillance and intelligence led investigation

The Team undertakes all investigations in accordance with the requirements of the following legislation:

- ✚ Human Rights Act 1998,
- ✚ Data Protection Act 2018,
- ✚ Criminal Procedures and Investigation Act 1996,
- ✚ Regulation of Investigatory Powers Act 2000,
- ✚ Police and Criminal Evidence Act 1984,
- ✚ Internal Procedures as appropriate.

The Team liaises with external bodies such as:

- ✚ Police,
- ✚ Cabinet Office
- ✚ Department for Works and Pensions
- ✚ Home Office
- ✚ HM Revenues and Customs
- ✚ Other local authorities and Public Bodies

The Team will also liaise with other enforcement teams within the Council as appropriate.

Report a fraud or irregularity:

Internal referrals:

Please raise your concerns with your line manager or their line manager. If you are unable to do this please contact the A-FACT Manager directly on **020 8314 7909** or **carol.owen@lewisham.gov.uk**. All referrals will be treated confidentially.

External Referrals:

If you wish to report a fraud please contact us

Fraud Hotline no: 0800 0850119

Or

Email A-FACT on 'reportfraud@lewisham.gov.uk'.

Or

**Write to the
A-FACT Manager
London Borough of Lewisham
4th Floor, Laurence House
Catford, SE6 4RU**

All referrals are treated confidentially,

Conclusion:

Lewisham Council is committed to an anti-fraud culture, it expects the highest standards from all Members, Officers, Agency Workers, Consultants and Contractors.

However, the prevention and detection of fraud and corruption is everyone's responsibility, therefore we must ALL





Audit & Risk Committee

Internal Audit Charter and Internal Audit Progress Update

Date: 13 September 2023

Key decision: No.

Class: Part 1.

Wards affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

The Internal Audit Charter is a formal document translating the principles and objectives of the Public Internal Audit Standards into local application. This 2023 update makes various minor changes to the existing Charter, such as reflecting the Committee's new name.

The report also includes an update on progress of the internal audit service. This sets out work concluding 2022/23 and 2023/24 progress, incorporating proposals for independent delivery of 23/24 planned work within the Head of Assurance's other areas of operational responsibility.

We ask that Members **approve** the Internal Audit Charter.

We ask that Members **note** the Internal Audit Progress Update.

We ask that Members **approve** plans for delivery of part of the 23/24 audit plan.

Timeline of engagement and decision-making

8 September 2002: Existing Internal Audit Charter approved by Audit Panel.

13 September 2023: Updated Charter presented to Audit & Risk Committee.

1. Summary

- 1.1 To conform with Public Sector Internal Audit Standards (the “Standards”) each internal audit service must have a Charter. The Charter sets out how the parts of Standards that are left to local application will function in the Council, as well as providing a high-level statement on the role and authority of internal audit. The Standards demand the Charter undergoes periodic review and approval.
- 1.2 The current Internal Audit Charter was approved by the Audit Panel by correspondence in September 2022 (the Panel meeting scheduled to approve the Charter was cancelled following announcement of the Queen’s death). That update was a full revision reflecting the significantly altered role of Head of Assurance replacing the previous Head of Audit who was an external secondee. The 2023 update is more limited in scope, focussed on keeping the Charter current rather than introducing any significant change.
- 1.3 This report also provides an update on the internal audit service’s work up to September 2023. This includes the full close of all remaining 2022/23 work and progress towards the 2023/24 plan. The update also details the Council’s work towards implementing agreed audit actions. Finally, the report identifies a conflict of interest issue around one engagement on the 2023/24 plan and proposes delivering that engagement through an independent contractor.

2. Recommendations

- 2.1 The Audit & Risk Committee **approves** the Internal Audit Charter
- 2.2 The Audit & Risk Committee **notes** the Internal Audit progress update.
- 2.3 The Audit & Risk Committee **approves** proposals for independent delivery of the Insurance Claim Management engagement.

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 This report aligns to all priorities through its role in supporting good governance.

4. Background

4.1 The Standards (specifically Standard 1000) demand that each internal audit service must have an approved Charter:

“The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter consistent with the [Standards]. The [Head of Audit] must periodically review the charter and present it to senior management and the board for approval.”

4.2 The Standards mandate various specific components for a public sector internal audit charter:

- Define the terms ‘board’ and ‘senior management’ in an organisational context (see Charter Section 9).
- Cover arrangements for appropriate resourcing (see Charter Sections 3.3, 3.4 and 6.1).
- Define the role of internal audit in fraud-related work (see Charter section 5.5)
- Describe safeguards to limit impairments of independence or objectivity if internal audit or the chief audit executive undertakes non-audit activity (see Charter Section 4).

5. Revised Internal Audit Charter

5.1 The 2022 revision to the Charter was a complete refresh. There has been no update to Standards or other guidance in the meantime, so changes for 2023 are primarily cosmetic or for clarification. The Charter attached to this report includes the following updates:

- Replaces references to “Audit Panel” with “Audit & Risk Committee”.
- Seeks Member approval before implementation for approaches adopted to mitigate identified conflicts of interest. Previously the Charter only required Members to be informed. This change is not required by current Standards, but is included within the current exposure draft for new Standards expected in 2024 and represents best practice.
- Expands the range of alternative service providers in the event of conflict to any local authority audit service. Previously this was limited to London Boroughs

only, and the change is intended to provide a wider range of options should an alternative provider be necessary for a specific engagement. Note that, as per the point above, Members will have the opportunity to comment in advance on any alternative service provider proposals.

- Clarifies that preventing fraud is a management responsibility, not one held solely by the Council's counter fraud team.
- Various incidental wording changes for brevity and clarity.

6. Internal Audit Service Update

Concluding 2022/23 work

6.1 When issuing the 2022/23 annual report a handful of engagements were not fully complete. In all instances we had completed the fieldwork and so held oversight of the issues raised and their impact on the annual opinion. However in some cases we were in the process of finalising the reporting and actions. The table overleaf sets out the final conclusions of the 22/23 work which is now fully complete. We note this represents the earliest full completion of an audit work year achieved by the Council in several years.

Progressing 2023/24 work

6.2 Earlier completion of prior year work has meant we've been able to make a fast start to 2023/24. The first Engagement Terms of Reference for the 2022/23 was issued in November 2022 and the first report in December 2022. By the end of August 2023 we have issued 4 2023/24 terms of reference documents and have 14 reports scheduled for issue before the end of the calendar year. The table overleaf gives current and scheduled progress.

Audit Team Update

- 6.3 In June we reported that the London-wide apprentice scheme had been nominated for an Audit & Risk Magazine award in the "best innovation in training and development" category. Unfortunately we did not win, but achieved a 'highly commended' comment from the judges. The apprenticeship scheme continues to be a success and recently recruited a second round of London apprentices. Although Lewisham was not an employer in round two, we helped with the selection and will contribute to training the new London apprentices.
- 6.4 In October Lewisham Homes will be largely re-integrated to the Council. For the internal audit team this means welcoming two new colleagues and taking on responsibility for an area currently subject to a separate audit plan, delivered

under contract by TIAA. That contract was already scheduled to expire at the end of 2023/24. We will shortly develop proposals for continuing delivery of internal audit coverage of former Lewisham Homes areas of responsibility as part of our 2024/25 audit planning. We will begin including TIAA audit findings and results in our reporting to this Committee starting with the next update.

- 6.5 The Council will take over the TIAA Lewisham Homes contract part-way through the year. Some of the audit engagements scheduled for the latter part of 2023/24 will no longer apply given the proposed examining systems that will no longer operate as separate enterprises. TIAA have agreed we can redeploy the audit time to Council audits without incurring additional cost. The 2023/24 update in this report notes the engagements we now plan to have delivered by TIAA under this contract.

Audit Independence

- 6.6 One of the engagements on the 2023/24 approved audit plan was to examine *Insurance Claim Handling*. This area is directly within the Head of Assurance's operational remit and so obliges consideration of whether we ought to pursue alternative delivery rather than risking a conflict of interest by using the in-house audit team. Broadly speaking, the options are:

- Conclude that disclosure is sufficient risk mitigation and proceed using the in-house audit team.
- Seek a resource-exchange arrangement with another London Borough to complete the work.
- Separately procure an independent contractor.
- Use redeployed TIAA resources from the Lewisham Homes novated contract.

- 6.7 The proposed approach is to ask TIAA to complete the engagement as a general audit. The Lewisham Homes contract is for full delivery, meaning TIAA would lead on everything from planning to reporting. This allows the Head of Assurance to step fully aside from the work. We also note that, as part of an existing contract, this option incurs no extra cost or resource commitment.

Internal Audit Engagements 2022/23

Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
2022/23 Engagements Completed after Opinion Report (x8)					
22/23-RBE-A08	Voids Management	1 x H, 7 x M, 4 x L	Limited	29-Jun-23	6.8-9
22/23-SCH-18	Bonus Pastor Catholic College	2 x M, 6 x L	Substantial	10-Jul-23	
22/23-RBE-A09	Community Infrastructure Levy	(nil)	Substantial	10-Jul-23	
22/23-RBE-A15	Public Health Service Commissioning	3 x M	Satisfactory	21-Jul-23	
22/23-RBE-B04	IT Network Architecture Governance	4 x M, 1 x L	Satisfactory	26-Jul-23	
22/23-RBE-B09	Libraries	2 x M	Satisfactory	31-Jul-23	
22/23-RBE-B06	Food Safety	1 x H, 3 x M, 3 x L	Limited	14-Aug-23	6.10-11
22/23-RBE-A17	Special Needs Commissioning	4 x M	Reasonable¹	31-Aug-23	

¹ Review completed by TIAA under contract using their evaluation scoring. "Reasonable" broadly corresponds with "Satisfactory" on the in-house scale.

Internal Audit Engagements 2023/24

Ref	Title	Progress at 1 September 2023	Planned Report Date
23/24-RBE-04	Staff Performance Management	Fieldwork underway	5-Sep-23
23/24-RBE-02	Corporate Communications	In Planning	13-Sep-23
23/24-RBE-13	Sports & Leisure	Fieldwork underway	15-Sep-23
23/24-RBE-11	Licensing	In Planning	30-Sep-23
23/24-RBE-21	Corporate Budget Setting & Savings Targets	Fieldwork underway	tbc-Sep-23
23/24-RBE-12	Tree Maintenance	Fieldwork underway	2-Oct-23
23/24-RBE-14	Community Development	In Planning	4-Oct-23
23/24-RBE-28	Street Cleansing	In Planning	13-Oct-23
23/24-RBE-25	Planning Application Management	In Planning	29-Oct-23
23/24-RBE-10	Access & Inclusion	In Planning	tbc-Oct-23
23/24-RBE-20	Accounts Payable	Assigned to TIAA using LH days	tbc-Oct-23

Ref	Title	Progress at 1 September 2023	Planned Report Date
23/24-RBE-07	Schools HR Services	In Planning	3-Nov-23
23/24-RBE-08	Virtual School	In Planning	9-Nov-23
23/24-RBE-30	Flood Management	In Planning	13-Dec-23
23/24-RBE-15	Accounts Receivable	Assigned to TIAA using LH days	tbc-Jan-24
23/24-RBE-17	Insurance Claim Management	Provisionally assigned to TIAA using LH days	tbc-Mar-24

Of the 47 Engagements listed on the 2023/24 audit plan, there are:

- 4x with Fieldwork currently underway
- 9x in active Planning
- 19x assigned to auditors (including 3x provisionally to TIAA). Planning for these audits will begin later in the year.
- 15x schools' engagements. We consulted schools on preferred timing before the summer break. This month, in consultation with schools, we will develop those preferences into a delivery programme for the schools' engagements.

We are currently aiming to have completed all engagement fieldwork by the end of April 2024 and all draft reports issued by the end of May 2024. This will continue our aim to complete the audit plan in full before annual reporting. We currently plan to deliver all engagements, bar the three noted to TIAA, using our in-house audit team.

Additional Notes on 2022/23 Audit Engagements

6.8 **Temporary Accommodation Voids Management:** This engagement was completed by TIAA. Key findings:

- Through testing and discussions with Management it was identified that whilst there were Temporary Accommodation void controls in place, significant exceptions were identified during the testing phase of the review.
- Opportunities to improve monitoring and reporting arrangements were identified.
- It is not current practice to obtain assurances that the private managed accommodation (PMA) properties allocated to tenants are in line with the lettable standard.
- Applicable rent deductions from the rent payable to the PMA and private sector leasing (PSL) landlord is not deducted.
- Landlord Gas Safety Record (LGSR) and Electrical Installation Condition Report (EICR) certifications were in place before the re-let date.
- EICR and LGSR certificates received from PMA landlords are verified by a third party.

6.9 The service agreed the findings and appropriate remedial actions. The most significant being consolidating procedures within an agreed Temporary Voids process document. This will be created in time for when Lewisham Homes comes in house at the start of October.

6.10 **Food Safety:** This engagement was completed by the in-house team. Notably, it was the first full report led by one of our apprentices. Executive summary excerpted below:

- We found the service undertakes food safety inspections using qualified and trained inspectors. The inspectors consistently work to a high quality, including responding to high-risk complaints quicker than current procedures demand.
- However, the service currently faces a significant inspection backlog. The backlog has arisen for several reasons, including legacy of Covid-19 and difficulties in recruiting inspectors. The Council should focus management attention on measures to bring inspection work back on track.
- We also identified various problems with the M3 Food Safety case management system used by the service up to June 2023. These include limits to functionality and unexplained glitches resulting in loss of records, exacerbated by failure of contingency measures. The service implemented a new system (Assure) on 30 June 2023. Although early reports are not encouraging, in the long-term the service hopes Assure will improve functionality and remedy system problems.

6.11 The service promptly agreed the findings and immediately began working on the various remedial actions. Most significantly, given the varied causes of the

inspection backlog and variety of short, medium and long term actions required, the service has opted to manage continuous improvement through the Council’s risk management approach. This will help ensure the topic receives ongoing attention with accompanying monitoring to track the success of remedial actions, which include additional resources to manage the immediate backlog and a review of service delivery to safeguard longer-term effectiveness.

7. Agreed Action Follow-Up

7.1 An important part of how internal audit seeks to drive governance improvements is through agreement of remedial actions to address audit engagement findings. The charts below describe the current (to 30 August) performance in implementing high and medium priority actions (we do not routinely follow up low priority actions). Also note that we typically verify completion of high priority actions as a separate exercise. The numbers below include some actions reported complete where that verification work is pending.

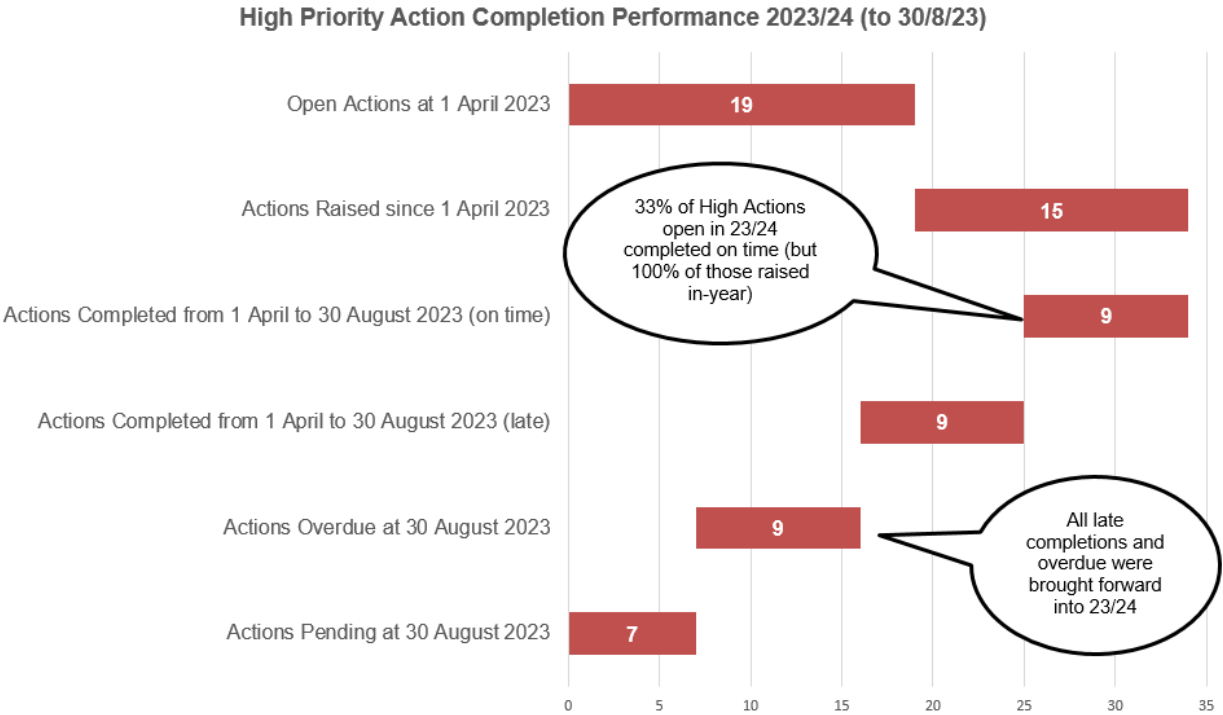


Figure 1: High Priority Action Completion Performance (as reported)

Medium Priority Action Completion Performance 2023/24 (to 30/8/23)

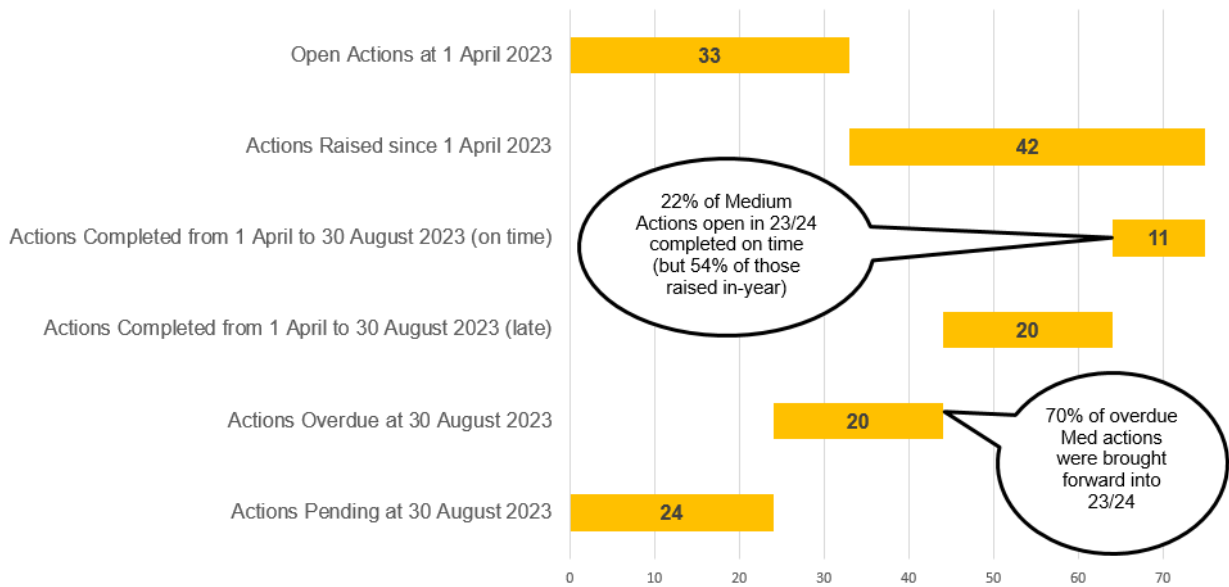


Figure 2: Medium Priority Action Completion

7.2 There remains a set of persistent actions that continue to impact performance. In general, completion rates are good and we are grateful for the continued focus provided by the Executive Management Team. Looking only at ‘current’ actions, completions rates have held up in 2023/24 compared with year end 2022/23. At that stage we reported ‘current’ action on time completion as 86% for high priority findings (100% in 23/24) and 72% for medium priority findings (54% for 23/24).

7.3 The tables below provide specific additional detail on overdue actions, starting with the nine High Priority actions overdue.

Audit Title & Report Date	Action Summary	Original and current due dates
VAT 6-Jul-21	Review partial exemption calculation for years from 2017/18	31-Dec-21 31-Dec-23
HMO Licensing & Enforcement 30-Jul-21	Annual license renewal checks	31-Dec-21
	Match unallocated payments to outstanding civil penalty notices (CPNs)	27-Nov-23

Audit Title & Report Date	Action Summary	Original and current due dates
	Pass unpaid CPN details to debt recovery	
	Add payment ref notice to CPNs	
Budget Monitor CYP/ COM 24-Aug-21	Set upper spending limits on ContrOCC system to match delegated responsibilities.	31-Dec-21 30-Sep-23
Payroll 8-Oct-21	Conduct reconciliation of payroll costing report to general ledger.	31-Dec-21 30-Sep-23
Academy IT 6-Jun-22	Conduct system disaster recovery testing	31-Oct-22 31-Jan-24
Homelessness 3-Oct-22	Conduct reconciliation between Locata system and housing register duty.	31-Mar-23 29-Mar-24

7.4 The table below summarises the 20 Medium Priority Actions overdue:

Audit Title & Report Date	# Actions Overdue	Earliest Due Date (original)	Latest Due Date (current)
Asset Management 3-Feb-21	1	30-Apr-21	30-Sep-23
School Finance 20-Apr-21	4	30-Jun-21	30-Sep-23
Banking 30-Apr-21	1	30-Jun-21	31-Dec-23
Accounts Receivable 20-May-21	1	30-Sep-21	30-Sep-23

Audit Title & Report Date	# Actions Overdue	Earliest Due Date (original)	Latest Due Date (current)
Main Accounting 2-Jul-21	1	31-Dec-21	31-Dec-23
Passenger Transport 23-Jul-21	1	31-Dec-21	30-Sep-23
Budget Monitoring CYP/COM 24-Aug-21	2	31-Oct-21	22-Dec-23
Client Care Contributions 17-Jan-22	1	31-Mar-22	31-Dec-23
Child Safeguarding QA 8-Sep-22	1	31-Aug-22	30-Sep-23
Homelessness 3-Oct-22	1	31-Oct-22	29-Sep-23
Air Quality Strategy 31-May-23	1	30-Jun-23	30-Sep-23
Voids Management 29-Jun-23	5	30-Jul-23	30-Sep-23

8. Financial implications

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

9. Legal implications

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

10. Equalities implications

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

11. Climate change and environmental implications

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

12. Crime and disorder implications

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

13. Health and wellbeing implications

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

14. Background papers

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

15. Report author and contact

15.1. 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.

16. Appendices

- Appendix A – Internal Audit Charter 2023/24

Internal Audit Charter

1. Purpose and Mission

- 1.1 The purpose of Lewisham Council's (the "Council") internal audit service is to provide independent, objective assurance and consulting services designed to add value and improve the Council.
- 1.2 The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 1.3 The internal audit service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes.

2. Standards for the Professional Practice of Internal Auditing

- 2.1 The internal audit service will govern itself by adherence to the mandatory elements of [The Institute of Internal Auditors' International Professional Practices Framework](#) (the IPPF). This includes the Core Principles for the Professional Practice of Internal Auditing, the [Code of Ethics](#), and the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The **Head of Assurance** will report periodically to the **Executive Management Team** and the **Audit & Risk Committee** regarding the internal audit service's conformance to the Code of Ethics and the *Standards*.
- 2.2 Specifically, the internal audit service works to the [Public Sector Internal Audit Standards](#) (the "Standards"). These *Standards*, which are based on the mandatory elements of the IPPF, exist to promote further improvement of internal audit's professionalism, quality, consistency and effectiveness across the public sector. The internal audit service further adheres to [CIPFA's Application Note](#) which gives additional direction specific to Local Government.

3. Authority

- 3.1 The principal authority for internal audit at the Council comes from the [Accounts and Audit Regulations 2015](#). In particular [Regulation 5](#) which demands:

"A relevant 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 or guidance".

- 3.2 The **Head of Assurance** will report functionally to the **Audit & Risk Committee** and administratively to the Executive Director for Corporate Resources (or the person acting in that role).
- 3.3 To establish, maintain and assure that the Council's internal audit service has sufficient authority to fulfil its duties, the Executive Director for Corporate Resources will, on behalf of and in consultation with the **Executive Management Team** as required:
- Approve the internal audit service's Charter.
 - Approve the risk-based internal audit plan.
 - Approve the internal audit service's budget and resource plan.
 - Receive communications from the **Head of Assurance** on the internal audit service's performance relative to its plan and other matters.
 - Approve decisions regarding the appointment and removal of the **Head of Assurance**, after consultation with the **Audit & Risk Committee**.
 - Conduct performance appraisals of the **Head of Assurance**, after consultation with the **Audit & Risk Committee**.
 - Make appropriate enquiries of the **Executive Management Team** and the **Head of Assurance** to determine whether there are inappropriate scope or resource limitations.
- 3.4 To establish, maintain and assure that the Council's internal audit service has sufficient authority to fulfil its duties, the **Audit & Risk Committee** will:
- Approve the internal audit service's Charter.
 - Approve the risk-based internal audit plan.
 - Approve the internal audit service's budget and resource plan.
 - Receive communications from the **Head of Assurance** on the internal audit service's performance relative to its plan and other matters.
 - Respond to requests for information from the Executive Director of Corporate Resources to inform performance appraisals or other personnel decisions regarding the **Head of Assurance**.
 - Make appropriate enquiries of management and the **Head of Assurance** to determine whether there are inappropriate scope or resource limitations.
- 3.5 The **Head of Assurance** will have unrestricted access to, and communicate and interact directly with, the **Audit & Risk Committee**, including in private meetings without other management present.
- 3.6 The **Audit & Risk Committee** and the Executive Director of Corporate Resources on behalf of the **Executive Management Team** authorise the internal audit service to:

- Have full, free and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of information. Noting this power also derives from [Regulation 5\(2\) of the Accounts and Audit Regulations 2015](#).
- Allocate resources, set frequencies, select subjects, determine work scopes, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary Council personnel, as well as other specialised services, to complete the engagement.

4. Independence and Objectivity

- 4.1 The **Head of Assurance** will ensure that the internal audit service remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the **Head of Assurance** determines that independence or objectivity may be impaired in fact or appearance, they will disclose impairment details to appropriate parties.
- 4.2 Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.
- 4.3 Internal auditors will have no direct operational responsibility or authority over audited activities. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement, including:
- Assessing specific operations where they had responsibility in the past year.
 - Assessing any operations where they had any managerial responsibilities at the Council.
 - Performing any operational duties for the Council or its affiliates, save those associated directly with the internal audit service.
 - Initiating or approving transactions external to the internal audit service.
 - Directing the activities of any Council officer or contractor not employed by the internal audit service, except to the extent that such people have been appropriately assigned to help internal auditors.
- 4.4 Where the **Head of Assurance** has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 4.5 Currently, aside from the internal audit service, the **Head of Assurance** has oversight of the following areas:

- Anti-Fraud and Corruption Team.
Prevention, detection and investigation of fraud & corruption within and against the London Borough of Lewisham. Prevention, detection and investigation of social housing fraud on behalf of various local RSLs. Pre-employment vetting for potential employees of Lewisham Council. Monitoring of Declarations of Interest for Council employees.
- Insurance & Risk Management Team.
The Insurance & Risk Management Team is responsible for arranging and administering all the Council's insurance and managing all claims made by or against the Council under the insurance arrangements. The Team is also responsible for leading and coordinating the Council's enterprise risk management processes.
- Corporate Health & Safety Team.
The Corporate Health & Safety team help the Council meet its legal obligations in keeping people safe and healthy at work.

4.6 The following additional and alternative steps will feature in the audit approach to maintain independence and objectivity for these areas:

- At Audit Planning stage, other officers within the audit service will complete risk assessments. There will be a general assumption that, where planning risk criteria are met, engagements in these areas will be longlisted in the audit plan and, at minimum, form part of the consultative plan shared with the **Executive Management Team**.
- At Audit Engagement stage, various approaches will be considered depending on the nature of the engagement. These may include having work undertaken by officers of the internal audit service overseen by a Chief Audit Executive of another council or assigning the work entirely to auditors from an external body or professional audit firm.

4.7 The specific safeguards will be disclosed in the annual audit plan and subject to agreement of the **Audit & Risk Committee** before implementation. Where the safeguards rely on assistance from another council, the Council may offer similar (non-reciprocal) services to be disclosed in the annual audit plan.

4.8 Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the examined activity or process.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their interests or others in forming judgements.

- 4.9 The **Head of Assurance** will confirm to the **Audit & Risk Committee**, at least annually, the organisational independence of the internal audit service.
- 4.10 The **Head of Assurance** will disclose to the **Audit & Risk Committee** any interference and related implications in determining the scope of internal auditing, performing work and/or communicating results.

5. Scope of Internal Audit Activities

5.1 The scope of the internal audit activities encompasses, but is not limited to, objective examinations of evidence to provide independent assessments to the **Audit & Risk Committee**, management and outside parties on the adequacy and effectiveness of governance, risk management and control processes for the Council. Internal audit assessments include evaluating whether:

- Risks relating to achieving the Council's strategic objectives are appropriately identified and managed.
- The actions of Council officers, directors, employees and contractors comply with the Council's policies, procedures and applicable laws, regulations and governance standards.
- The results of operations are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

5.2 The **Head of Assurance** will report periodically to **Executive Management Team** and the **Audit & Risk Committee** regarding:

- The internal audit service's purpose, authority and responsibility.
- The internal audit service's plan and performance relative to its plan.
- The internal audit service's conformance with The IIA's Code of Ethics and *Standards* and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including any fraud risks, governance issues, and other matters requiring the attention of, or requested by, the **Audit & Risk Committee**.
- Results of audit engagements and other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Council.

- 5.3 The **Head of Assurance** also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit service may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit service does not assume management responsibility.
- 5.4 Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.
- 5.5 The internal audit service adheres to *Standards 1210.A2* in having an awareness of fraud when undertaking its work. However, the primary responsibility for preventing, detecting and investigating fraud at the Council rests with Management, supported by the Anti-Fraud and Corruption Team.

6. Responsibility

6.1 The **Head of Assurance** has the responsibility to:

- Submit, at least annually, a risk-based internal audit plan for review and approval to senior management and the **Audit & Risk Committee**.
- Communicate to the **Executive Management Team** and the **Audit & Risk Committee** on the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the **Audit & Risk Committee** any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including establishing objectives and scope, assigning appropriate and adequately supervised resources, documenting work programs and testing results, and communicating engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to **Executive Management Team** and the **Audit & Risk Committee** any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit service collectively possesses or obtains the knowledge, skills and other competencies needed to meet the requirements of the internal audit charter.

- Ensure trends and emerging issues that could impact the Council are considered and communicated to senior management and the **Audit & Risk Committee** as appropriate.
- Ensure emerging trends and practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures to guide the internal audit service.
- Ensure adherence to the Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or communicated to senior management and the **Audit & Risk Committee**.
- Ensure conformance of the internal audit service with the *Standards*

7. Quality Assurance and Improvement Program

- 7.1 The internal audit service will maintain a quality assurance and improvement program that covers all aspects of the internal audit service. The program will include an evaluation of the internal audit service's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the internal audit service's efficiency and effectiveness and identify improvement opportunities.
- 7.2 The **Head of Assurance** will communicate the **Executive Management Team** and the **Audit & Risk Committee** on the internal audit service's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council.

8. Approvals

CHIEF AUDIT EXECUTIVE

AUDIT & RISK COMMITTEE CHAIR

ACTING EXECUTIVE DIRECTOR OF CORPORATE RESOURCES

9. Definitions

The Head of Assurance fulfils the role of "Chief Audit Executive" as set out in *Standard 1000*.

The Executive Management Team fulfils the role of "Senior Management" as set out in the Public Sector Requirement of *Standard 1000*.

The Audit & Risk Committee fulfils the role of the "Board" as set out in the Public Sector Requirement of *Standard 1000*.

Agenda Item 6



Audit & Risk Committee

Corporate Risk Register Update Q1 2023/24

Date: 13 September 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 30 June 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 & Risk Committee 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.

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 remains 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 later in the year.
- 1.3. 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.

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.

4. Developing the Risk Management Strategy: Timeline

4.1. The chart below repeats a timeline originally presented to this Committee in June 2023. The programme to develop the Council’s risk management approach remains largely on track but two delays have meant limited change to the reporting provided to Members since the last meeting. The first is a technical difficulty in providing widespread access to the risk management software, that should resolve this month. The second is difficulty securing sufficient senior management time to focus on refreshing the corporate risk register. However, that time is now booked for early October.

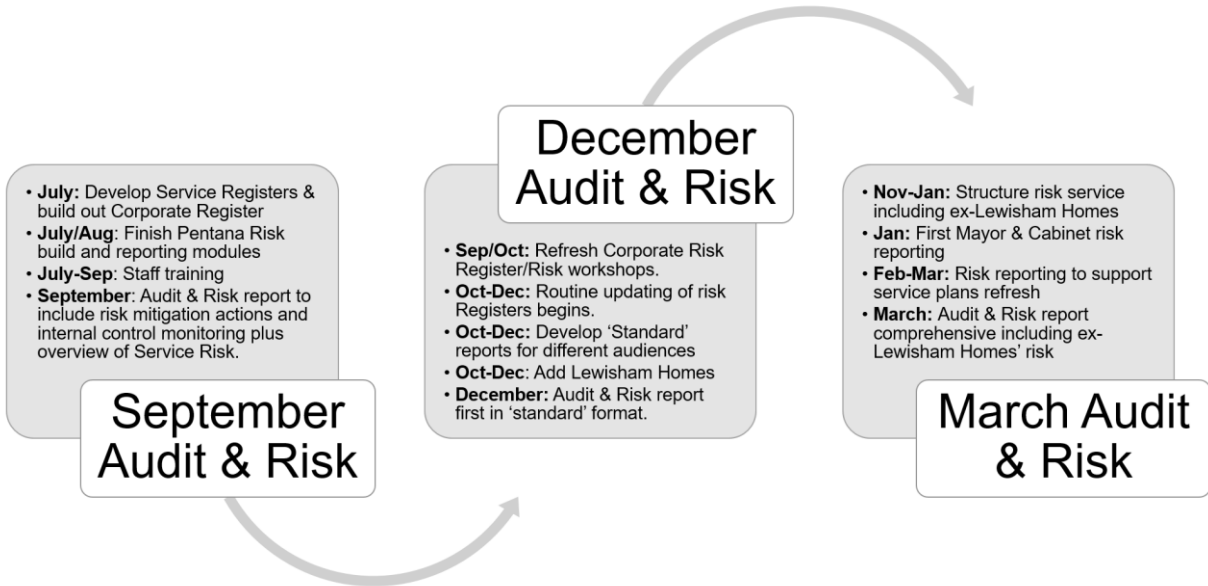


Figure 1: Diagram showing plans to develop risk reporting across 2023/24

4.2. Progress since June has focused on consolidating the Council’s disparate risk information into a single source. Drawing on service plans, we have now collated service risk registers to identify and track more than 100 individual service-level risks. We have also brought two separately-monitored risk registers – on emergency planning and IT security risks – into the software with the aim of building a comprehensive source of risk information.

4.3. We have also used embedded tools to track risk mitigation action and internal controls. We include in this report an example of how that detail works to provide richer risk information on a specific corporate risk.

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, Q1 2023/24

Appendix A: Corporate Risk Register

Risk Matrix – Q1 2023/24

The matrix below shows a summary of the 28¹ 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.

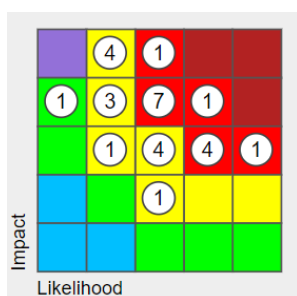


Figure 2 Risk matrix for Corporate Risk

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).

Impact Levels	Likelihood Levels
1 Lowest impact: will temporarily divert resources but likely cause no significant lasting impact on objectives.	1 Extremely unlikely: Around 1/1,000 or less
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

¹ Two additional risks were identified at the most recent Executive Management Team (I) risk of failing to effectively implement the new Housing Management System and (II) risk of insufficient testing time for the new system before annual rent adjustments. The risks do not yet appear on the matrix pending full evaluation by the incoming Executive Director this month.

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Risk Listing – Q1 2023/24 (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			Austin, David	Treat
RISK 251 Global commodity price increases or supply chain shortages	15			Austin, David	Treat
RISK 131 Impact of Climate Change	12			Hussain, Nazeya	Treat
RISK 141 Internal Control Framework Inadequacy	12			Austin, David	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			Austin, David	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			Austin, David	Treat
RISK 311 Failure to collect debt	12			Austin, David	Treat
RISK 321 Incidents of severe damp and mould in Lewisham Council Housing	12			Beckman, Fenella	Treat
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	Treat
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			Austin, David	Treat
RISK 401 Council wide financial failure impacting on service delivery	10			Austin, David	Treat
RISK 091 Information Governance Failure	9			Austin, David	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	Treat
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			Austin, David	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 – Q1 2023/24 (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 (x14)									
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	
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	
311	Failure to collect debt	Corporate Resources	3	4	12	3	1	3	

Risk Listing									
Ref	Title	Owning Directorate	Current Score			Target Score			Notes
			Imp	Lik	Score	Imp	Lik	Score	
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	
Current Moderate Risks (x13)									
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	
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	
Current Low Risks (x1)									
161	Elections not conducted in line with law	Chief Executive's	4	1	4	4	1	4	

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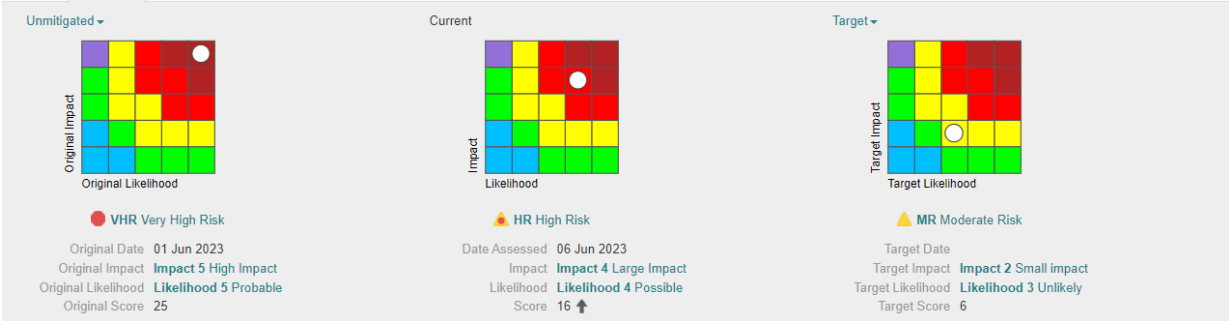
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Example additional risk information: Risk 111 Non-Compliance with Health & Safety Regulation

Risk Scoring

Like all risks in the software, there are three assessments for this item:



The **unmitigated** risk describes the likelihood and impact in the absence of all internal controls. This is the ‘worst case scenario’ risk if all internal controls failed completely. For this risk the unmitigated assessment is as a *Very High Risk*, noting the significant potential consequences in financial, reputational and personal terms of high-profile health and safety failure.

The **current** risk describes the likelihood and impact based on current controls at their understood operational efficacy. The scoring recognises this topic remains *High Risk* but that current controls are providing mitigation.

The **target** risk sets out a level of risk the Council seeks to achieve and one that it will accept (acknowledging that few risks can be eliminated entirely). This is assessed as a *Moderate Risk* with further reductions sought to both likelihood and impact.

Internal Controls

Within Pentana Risk we also describe and evaluate the current controls serving to mitigate the risk:

Summary -

Internal Controls OK ✘

Internal Controls Score ▲ 1 Under Review




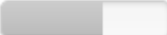


Internal Controls -

Control	Score	Note
✔ H&S Building Compliance Inspection Programme	2 Working	Programme established and delivering routine inspections. No major issues of note.
▲ H&S Incident Reporting and Investigation	1 Under Review	Incident reporting via Sharepoint. Self-Assessment shows some gaps in knowledge. Lo...
▲ H&S Training Programme	1 Under Review	In liaison with P&OD to develop new mandatory e-learning packages.
▲ Service H&S Compliance Audit Programme	1 Under Review	Programme underway 6/23. Will report results 10/23.

Note that this section remains in development and so is not comprehensive but acknowledges work ongoing to enhance control response. These enhancements are, in part, in response to an internal audit on this area completed in early 2022.

Risk Mitigation Actions

The software also supports identification and tracking of risk mitigation actions. Current actions for this risk are:

Code and Title	Progress	Due Date
 ACTION 021 H&S Service Audit Programm...	 43%	31 October 2023
 ACTION 161 Fire Safety and Evacuation A...	 60%	30 November 2...
 ACTION 171 H&S Training Identification	 75%	30 November 2...

Each action relates to improving an internal control noted as 'under review'. Although owners can update risks at any point, the software will trigger an invitation for update as each action reaches its due date.