

Appendix A

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

Action Plan – Audit of Financial Statements – Council

Assessment	Issue and Risk	Recommendations	Management Action
High	<p>Our testing of IT General Controls identified the following findings which have been reported in detail to management:</p> <ul style="list-style-type: none"> • Insufficient evidence over the completeness and accuracy of data migration of the payroll system • Absence of formally approved project related documentation • Lack of formal approval by management on IT policy • Lack of formal review of audit logs 	<p>Management should implement the recommendations raised in the IT General controls report</p>	<p>These are provided in detail within The IT Audit Findings report.</p> <p>In summary; it is recognised that although reconciliations and approvals were carried out, there was no single repository of project documentation to evidence this. This has now been implemented through the corporate Project Management Office, with all significant projects now having a dedicated repository in MS Teams.</p> <p>Subject to external audit’s review, this action is proposed to be closed as completed.</p>
Medium	<p>Our review of your fixed asset register identified 123 assets that have a Net Book Value of nil. You should undertake an exercise to verify that these assets still exist. If the Council are still using the assets they will need to determine whether the current depreciation policy is appropriate.</p>	<p>Management should undertake a review of all assets that have a nil Net Book Value. You will need to review whether these are assets are still in use and if so whether your depreciation policies are appropriate. This is unlikely to give rise to a material misstatement in depreciation.</p>	<p>The current accounting policy for depreciation of vehicles, plant and equipment is a range of 5 to 40 years. A review of all assets with a nil value has been undertaken with a working paper to support officers’ assessments.</p> <p>If, following this work, this issue remains an audit concern the Council will review the accounting policies as part of the review required with changes to prudential borrowing guidance.</p> <p>There may also be additional issues as a result of the national review of infrastructure asset valuations. This will be covered within 2021/22 Statement of Accounts & Audit.</p> <p>Subject to external audit’s review, this action is proposed to be closed as completed.</p>

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

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	months old which have not been stopped. These should be stopped and written back.		This is being undertaken every 3 months. At the last review in June 2022 the cash team confirmed there were no cheques outstanding over six months old.
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Medium	You had difficulties in providing us with evidence to support the accounting entries within Receipts in Advance and Creditors associated with your Section 106 agreements.	Management need to review all Section 106 agreements to ensure you are appropriately recording and tracking the receipt and expenditure associated with these agreements. Management need to fully reconcile the Section 106 recording system (Exacom) to the ledger on an agreement by agreement basis.	A comprehensive review has been undertaken; matching Exacom (the planning system used to record s106 transactions) entries to Oracle ledger receipts, project usage and associated conditions. The ongoing process is also being reviewed to ensure the relevant information is recorded and tracked to allow accurate representation within the Statement of Accounts. The next step is to provide this review and supporting working papers for audit to support the 2021/22 financial statements.
Medium	During our walkthrough of the schools expenditure process we identified that there is currently no reconciliation between the school finance reports used to journal the data in to the ledger and the source date (i.e. bank reconciliation or the school payroll reports)	Management should reconcile the schools finance reports to source data prior to journaling the entries into the ledger.	The schools closing documentation has been revised to request assurances of reconciliations between cash book and school balances before processing into Oracle. This is also referred to within the Council’s year-end guidance notes. Training has been delivered by the Service Finance team to ensure schools are familiar with their responsibilities. As noted for the related year-end recommendation, there were varying levels of compliance and so a lessons learnt session will be delivered and additional training provided. The next step is to provide the reconciliation and supporting working papers for audit to support the 2021/22 financial statements.
Medium	Our review of 20/21 starters identified that HR were not receiving signed contract from new employees	Management should obtain and retain signed and dated contracts of employment for all staff.	The Resourcing department requests signed contracts from new employees as part of the induction process. The current process does not allow for a retrospective review of returned contracts and so additional monitoring is required going forward.

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			Options are being discussed by the relevant HR team. An update will follow once this has been determined.
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Action Plan – Audit of Financial Statements – Council

Follow up of prior year recommendations

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

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Action Plan – Audit of Financial Statements – Pension Fund

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

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Follow up of prior year recommendations

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