

Appendix A

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

Action Plan – Audit of Financial Statements – Council

Year	Assessment	Issue and Risk	Recommendations	Management Action
2020/21	Medium	Our review of your fixed asset register identified 123 assets that have a Net Book Value of nil. You should undertake an exercise to verify that these assets still exist. If the Council are still using the assets they will need to determine whether the current depreciation policy is appropriate.	Management should undertake a review of all assets that have a nil Net Book Value. You will need to review whether these are assets are still in use and if so whether your depreciation policies are appropriate. This is unlikely to give rise to a material misstatement in depreciation.	The current accounting policy for depreciation of vehicles, plant and equipment is a range of 5 to 40 years. A review of all assets with a nil value has been undertaken with a working paper to support officers' assessments. If, following this work, this issue remains an audit concern the Council will review the accounting policies as part of the review required with changes to prudential borrowing guidance. There may also be additional issues as a result of the national review of infrastructure asset valuations. This will be covered within 2021/22 Statement of Accounts & Audit. Audit Response: The team should implement processes to ensure all assets are appropriately tracked.
2020/21	Low	Our review of the bank reconciliation for the image pay bank payment account identified several cheques that are over 6 months old which have not been stopped. These should be stopped and written back.	Management should review and stop all out dated cheques.	A process does exist to stop cheques where this is specifically requested. A regular review is required to ensure that all cheques over 6 months are stopped as part of business as usual. This is being undertaken every 3 months. At the last review in August 2022 the cash team confirmed there were no cheques outstanding over six months old. Audit Response: There are still 6 cheques of total £1,027.18 dated back to 202 which are appearing in the bank reconciliation as unrepresented cheques.
2020/21	Medium	You had difficulties in providing us with evidence to support the accounting entries within Receipts in Advance and Creditors associated with your Section 106 agreements.	Management need to review all Section 106 agreements to ensure you are appropriately recording and tracking the receipt and expenditure associated with these agreements. Management need to fully reconcile the Section 106 recording system (Exacom) to the ledger on an agreement by agreement basis.	A comprehensive review has been undertaken; matching Exacom (the planning system used to record s106 transactions) entries to Oracle ledger receipts, project usage and associated conditions. This will continue throughout 2022/23 to provide additional accuracy. The ongoing process is also being reviewed to ensure the relevant information is recorded and tracked to allow accurate representation within the Statement of Accounts. Audit Response: The S106 agreements have been correctly accounted for. However, the Exacom system is not fully reconciled to the general ledger.

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2020/21	Medium	<p>Our review of 20/21 starters identified that HR were not receiving signed contract from new employees</p>	<p>Management should obtain and retain signed and dated contracts of employment for all staff.</p>	<p>The Resourcing department requests signed contracts from new employees as part of the induction process. The current process does not allow for a retrospective review of returned contracts as the process is manual and so difficult to manage. A new recruitment platform is being developed which will include digital signage for employment contracts. This is due to be implemented in December -22. Audit Response: 1/13 signed contracts was unable to be located.</p>
2020/21		<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. Audit Response: Testing identified 2 errors in 2021/22.</p>

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2021/22	Medium	Whilst preparing the financial statements officers identified that the balance on the Consolidated Income and Expenditure Statement did not equal the difference in reserves between 31 March 2021 and 31 March 2022. A correction journal of £2,286k was performed to ensure that the accounts balanced.	The Council should investigate how this initial imbalance arose.	TBC
2021/22	Medium	Our testing identified 2 errors (total value £749k) in our testing where payments were made for capital expenditure for works completed in 2021/22 but had not been accrued for. The extrapolated error is £2,170k	Your cut off procedures need strengthening to ensure that expenditure is coded in the year in which it relates.	TBC
2021/22	Medium	The Council has identified 132 assets that have a nil net book value. The Council were unable to locate these assets. The assets are fully depreciated and are years old and have now been written out of the asset register.	The Council should implement processes to ensure all assets are appropriately tracked to ensure they can be located.	TBC

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2021/22	Low	Within our testing of operating expenditure on repairs and maintenance charges on Council dwellings we identified that there is no formal documentation between the Council and Lewisham Homes to confirm the nightly call out capped charge rates.	Implement a formal agreement setting out nightly capped call out charges for repairs and maintenance jobs undertaken by Lewisham Homes.	TBC
2021/22	Low	The Exacom system used to record and track the Section 106 agreements is not fully reconciled to the general ledger. The overall difference between the Exacom listing and the General Ledger Balance in £2.7m.	The Council need to complete their work on reconciling the Exacom system with the ledger.	TBC