

Appendix A

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

Action Plan – Audit of Financial Statements – Council

Year	Assessment	Issue and Risk	Recommendations	Responsibility / Timescale	Management Action
2020/21	Medium	Our review of your fixed asset register identified 123 assets that have a Net Book Value of nil. You should undertake an exercise to verify that these assets still exist. If the Council are still using the assets they will need to determine whether the current depreciation policy is appropriate.	Management should undertake a review of all assets that have a nil Net Book Value. You will need to review whether these are assets are still in use and if so whether your depreciation policies are appropriate. This is unlikely to give rise to a material misstatement in depreciation.	Core Accounting – Final Accounts Complete - process amended	The current accounting policy for depreciation of vehicles, plant and equipment is a range of 5 to 40 years. A review of all assets with a nil value has been undertaken with a working paper to support officers' assessments. If, following this work, this issue remains an audit concern the Council will review the accounting policies as part of the review required with changes to prudential borrowing guidance. There may also be additional issues as a result of the national review of infrastructure asset valuations. This will be covered within 2021/22 Statement of Accounts & Audit. Audit Response: The team should implement processes to ensure all assets are appropriately tracked. Further Management Action: Assets are now being tracked.
2020/21	Low	Our review of the bank reconciliation for the image pay bank payment account identified several cheques that are over 6 months old which have not been stopped. These should be stopped and written back.	Management should review and stop all out dated cheques.	Core Accounting – Systems Complete - process amended	A process does exist to stop cheques where this is specifically requested. A regular review is required to ensure that all cheques over 6 months are stopped as part of business as usual. This is being undertaken every 3 months. At the last review in August 2022 the cash team confirmed there were no cheques outstanding over six months old. Audit Response: There are still 6 cheques of total £1,027.18 dated back to 2020 which are appearing in the bank reconciliation as unrepresented cheques. Further Management Action: Although the cheques were stopped, they were not cancelled and so the control account was not cleared. These will now be cancelled after 6 months of issue.

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2020/21	Medium	You had difficulties in providing us with evidence to support the accounting entries within Receipts in Advance and Creditors associated with your Section 106 agreements.	Management need to review all Section 106 agreements to ensure you are appropriately recording and tracking the receipt and expenditure associated with these agreements. Management need to fully reconcile the Section 106 recording system (Exacom) to the ledger on an agreement by agreement basis.	CIL Team Ongoing work in progress – review May-23 to confirm latest variance	A comprehensive review has been undertaken; matching Exacom (the planning system used to record s106 transactions) entries to Oracle ledger receipts, project usage and associated conditions. This will continue throughout 2022/23 to provide additional accuracy. The ongoing process is also being reviewed to ensure the relevant information is recorded and tracked to allow accurate representation within the Statement of Accounts. Audit Response: The S106 agreements have been correctly accounted for. However, the Exacom system is not fully reconciled to the general ledger. Further Management Action: Work is ongoing to reconcile Exacom to the General Ledger.
2020/21	Medium	Our review of 20/21 starters identified that HR were not receiving signed contract from new employees	Management should obtain and retain signed and dated contracts of employment for all staff.	HR L&D April-23 once system is implemented	The Resourcing department requests signed contracts from new employees as part of the induction process. The current process does not allow for a retrospective review of returned contracts as the process is manual and so difficult to manage. A new recruitment platform is being developed which will include digital signage for employment contracts. This is due to be implemented in December -22. Audit Response: 1/13 signed contracts was unable to be located. Further Management Action: There has been a delay in the implementation of the new recruitment platform. ORC is due to go live in March-23 and the contracts will be signed directly on the platform which means we will be able to monitor what contracts are awaiting signature.

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2020/21	Medium	<p>Our sample cut off testing from bank statements in April and May 2020 identified 4 expenditure items totalling £175k that related to 2019/20 that had not been accrued. This error extrapolated to £1,811k</p> <p>Similarly, our sample testing of invoices received in April and May 2020 identified expenditure items totalling £346k that related to 2019/20 that had not been accrued. We extended our testing and did not find any more errors. This error extrapolated to £4,824k.</p> <p>Your cut off procedures need strengthening to ensure that expenditure is coded in the year which it related.</p>	<p>The Council had undertaken a more robust review of cut off arrangement in 2020/21. However, our testing identified 3 items that were paid in April / May that related to the 2020/21 year that had not been accrued for. One of these items was for £524k.</p>	<p>Core Accounting – Capital</p> <p>March-23 when training & guidance issued</p>	<p>The Council’s year-end guidance notes have been updated and highlight the importance of cut-off testing. Income and expenditure has been reviewed for April and May 2022 is in progress. Several items have been identified which were subsequently accrued / removed as a duplicate.</p> <p>Audit Response: Testing identified 2 errors in 2021/22.</p> <p>Further Management Action: Additional training and guidance has been provided to Capital Project Managers in advance of year-end deadlines.</p> <p>There were still some issues where independent testing identified missed accruals, but improvements have been made when compared to previous years.</p>

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

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2021/22	Medium	The Adult Social Care ContrOCC system is not being updated and monitored regularly to ensure the commitments stated on the system are complete and accurate. The finance team rely on the reports from the ContrOCC system to determine outstanding commitments to be raised as creditors at year-end.	The Council should ensure the ContrOCC system is regularly updated.	Service Finance – Communities Ongoing work in progress – review latest balances for P2 – June 23	There will always be an element of non-delivery on care such as Homecare as people go into hospital, decline, or do not require the service. Two key workstreams are being undertaken to improve the accuracy of commitments within the ContrOCC system: <ul style="list-style-type: none"> - A monthly reconciliation is to be created which will compare payments made on the Oracle system to the ContrOCC commitment report, this will highlight potential commitments that should not be within ContrOCC as payments are not being made. - Invoices on hold are also reviewed on an ongoing weekly basis to make sure commitments in the system are accurate to enable invoices to be processed without intervention. Both will help improve the accuracy of outstanding commitments and the year-end creditor.
2021/22	Medium	The Council has significant credit balances on Council Tax and NNDR accounts due to residents and businesses. These balances have remained outstanding for several years	The Council need to take action to repay these creditors. In the instance where the residents or businesses cannot be traced and the legal time limits have expired, the Council should write back these amounts.	Resident and Business Services Ongoing work in progress – review latest balances in May-23	Action will take place during Summer to proactively contact customers where details are held to refund these sums. Where contact is not made, the amounts will be written off. Should customers contact Lewisham at any time, we will write back the credit and raise a refund All write off balances will be reported to the Director of Finance for review and approval. Project due to commence in June-23

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2021/22	Medium	Schools bank accounts were not all reconciled as at 31 March 2022. Some were reconciled at an earlier date.	All school bank accounts should be reconciled as at 31 March.	Service Finance – Children’s April-23 Complete	All schools bank accounts will be reconciled as at 31st March, which is included within the Schools and Corporate Closing timetable and training. This date does not clash with the schools Easter Holiday. All 75 schools banks accounts have been reconciled as at 31st March, and their financial returns have been transferred to Oracle as at 31st May 2023.
2021/22	Medium	Management had challenges demonstrating the Pension Fund statements reconciled directly to the ledger.	The Fund should continue to work with the custodian to improve coding so the accounts are prepared directly from the trial balance.	Treasury & Investments May-23 when transactions reconciled Complete	Management intends to improve the ledger coding structure to help demonstrate the reconciliation to the accounts. The Council continue to run all the pension fund account transactions through its ledger. The custodian will still provide the detailed breakdown of the investments, and these will be summarised on the trial balance and will reconcile to the accounts.
2021/22	Low	Within our testing of operating expenditure on repairs and maintenance charges on Council dwellings we identified that there is no formal documentation between the Council and Lewisham Homes to confirm the nightly call out capped charge rates.	Implement a formal agreement setting out nightly capped call out charges for repairs and maintenance jobs undertaken by Lewisham Homes.	Lewisham Homes April-23 when agreement finalised	Discussions have been had between LH and LBL and no evidence can be found about the flat rate agreement for callout. Lewisham Homes proposes that callouts are paid under the same terms as their contractor supply-chain – which is callout including cost of actual work completed. A formal agreement will be put in place.

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