



Audit & Risk Committee

Internal Audit Annual Report and Opinion 2022/23

Date: 22 June 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

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

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

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

Timeline of engagement and decision-making

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

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

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

1. Summary

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

2. Recommendations

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

3. Policy Context

- 3.1. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's [Corporate Strategy \(2022-2026\)](#):
 - Cleaner and Greener
 - A Strong Local Economy
 - Quality Housing
 - Children and Young People
 - Safer Communities
 - Open Lewisham
 - Health and Wellbeing

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

4. Background

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

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

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

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

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

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

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

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5. Statement on Independence and Standards Conformance

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

6. Head of Internal Audit Opinion

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

Scope and Time Period of the Opinion

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

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Scope Limits

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

Consideration of work completed and reliance on others

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

Information Supporting the Opinion

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

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

Risk and Control

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

Overall Conclusions

Internal Control

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

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Framework of Governance

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

Risk Management

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

Other Matters

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



Rich Clarke CMIIA CPFA ACFS
Head of Assurance

13 June 2023

7. Internal Audit Work 2022/23

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

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Internal Audit Engagements 2022/23

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

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

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

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

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

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

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

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

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

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

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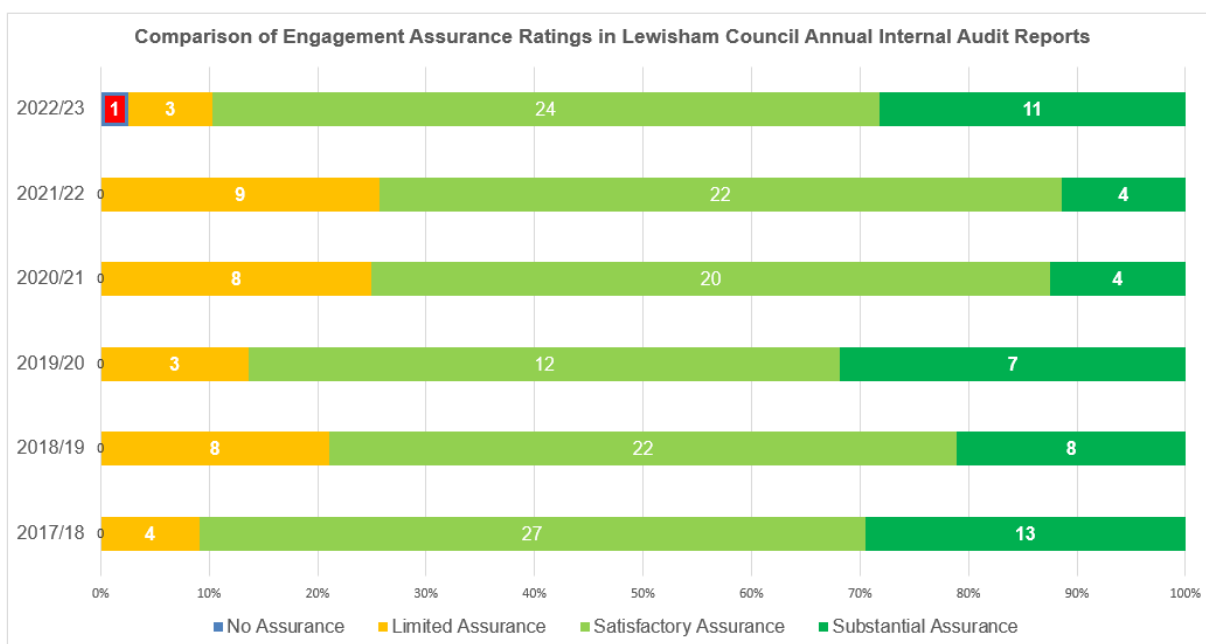


Figure 1: Stacked bar of comparative assurance ratings, sourced from prior-year reports

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

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

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

8. Agreed Action Follow Up

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

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

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

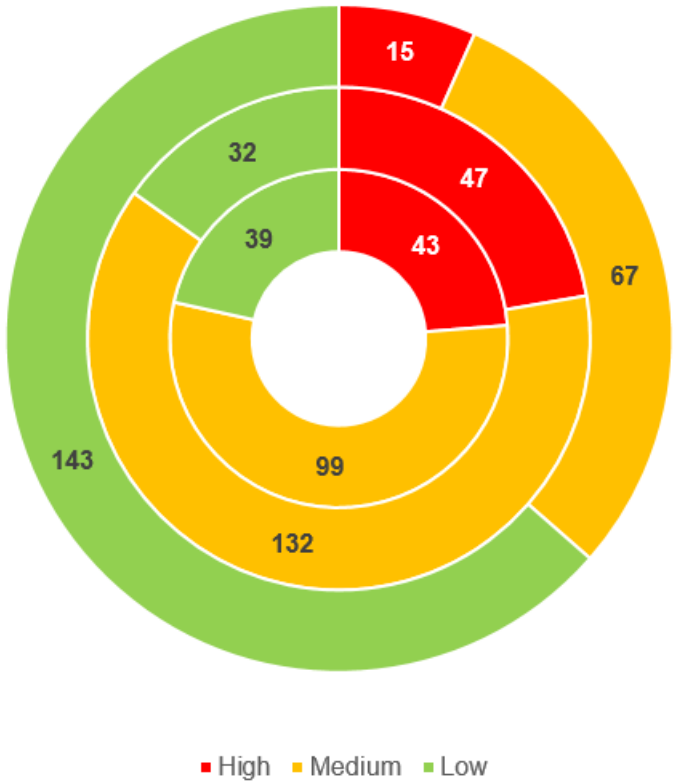


Figure 2: Engagement findings 2020/21 - 2022/23

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

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

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

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

9. Quality and Improvement Programme

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

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

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

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

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

Development Focus Areas for 2023/24

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

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10. Financial implications

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

11. Legal implications

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

12. Equalities implications

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

13. Climate change and environmental implications

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

14. Crime and disorder implications

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

15. Health and wellbeing implications

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

16. Background papers

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

17. Report author and contact

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

18. Appendices

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

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