



## Audit & Risk Committee

### Internal Audit Update December 2023

**Date:** 6 December 2023

**Key decision:** No

**Class:** Part 1, with Part 2 Appendix

**Wards affected:** All.

**Contributors:** Rich Clarke, Head of Assurance

### Outline and recommendations

The report summarises findings and progress up to 27 November in delivering the 2023/24 internal audit plan. It also updates Members on the wider context of the internal audit profession and the team at Lewisham, including work to incorporate the audit team and programme of Lewisham Homes. The report also incorporates additional information on counter fraud cases, as a Part 2 Appendix.

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

### Timeline of engagement and decision-making

14 March 2023: Internal Audit plan for 2023/24 approved by Audit Panel.

13 September 2023: Interim update to Audit & Risk Committee

We have additionally reported progress on the plan and individual audits to Directorates and the officer-led Corporate Assurance Board.

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 appendix A 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.

The reasons for this recommendation, with paragraph numbers in reference to Appendix 1 of the Council's Constitution, are:

- (2) Information which is likely to reveal the identity of an individual.
- (3) Information relating to the financial or business affairs of any particular person (including the authority holding that information)
- (5) Information in respect of which claim to legal professional privilege could be maintained in legal proceedings, and
- (7) Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

## 1. Summary

- 1.1. The report provides an update on progress towards completing the 2023/24 Internal Audit Plan approved by Members' in March this year. This now includes reporting on 2023/24 audit work originally agreed by Lewisham Homes' Audit Committee as part of its internal audit plan for the year, now incorporated into Lewisham Council's internal audit arrangements.
- 1.2. There are no findings of individual concern yet arising from our 2023/24 work; all published reports to date have received positive assurance conclusions. Although progress has been slower than hoped, owing to sickness absence within the team and work incorporating Lewisham Homes, we are confident of holding sufficient resource to deliver a robust year end opinion. The report sets out a schedule for completing the remaining audit work on the plan.
- 1.3. We continue work following up agreed audit actions arising from reports. The Council's record on taking actions on time continues to improve, although a handful of overdue high priority actions remain. We are continuing to work through actions inherited from Lewisham Homes' audit work and will include this information in subsequent updates to the Committee.
- 1.4. The report also includes a brief summary of updates in both the Lewisham Council audit team and the wider context of the internal audit profession. Finally, the report also includes a collection of illustrative case studies providing some insight beneath the numbers into the work of the Anti-Fraud and Corruption Team, presented as a Part 2 Appendix.

## 2. Recommendations

- 2.1. The Audit & Risk Committee **notes** the 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 Council's internal audit service is delivered principally by an in-house team which now (post Lewisham Homes reintegration) comprises 7.4 full-time equivalent officers. This includes four fully-qualified staff plus three apprentices, two of whom we recruited in September 2022 through a pan-London scheme in co-operation with five other Boroughs.

4.2. This team is supplemented by some bought-in audit work on areas of technical speciality plus more general audit support inherited from Lewisham Homes.

4.3. All the Council's audit work is conducted in line with the Public Sector Internal Audit Standards (PSIAS) as directed by the Accounts and Audit Regulations 2015. We verified our adherence to the Standards through an External Quality Assessment reported to Members in June 2022.

## 5. Internal Audit Service Update

### Progressing 2023/24 Audit Plan

5.1. The table on the following page summarises progress, including outcomes of engagements completed and reported up to 27 November 2023. The year has started more slowly than planned, in part because of additional time to incorporate Lewisham Homes plus sickness absence in the audit team. Nevertheless, we are confident of completing work sufficient to provide a robust year end opinion, and the table also sets out a summary of that planned work.

5.2. This update also includes information about the audit plan approved by Lewisham Homes' Audit Committee in March 2023. That Committee's papers were not public and so we have not included this information in previous updates but it was shared with the Council's Head of Assurance to consider when planning the Council's work for the year.

## Internal Audit Team Update

- 5.3. In October 2023 the Council welcomed two new colleagues from Lewisham Homes: and Audit & Risk Manager and Audit & Risk Officer. Both have been accommodated direct into our existing structure and are working alongside the existing Council internal audit service. The Council also inherited Lewisham Homes' audit support contract with the private firm TIAA, who are tasked with delivering all the individual audit engagements on Lewisham Homes' plan. That contract expires at the end of 2023/24 and we are currently investigating options for continuing access to similar expertise and support into 2024/25.

## Updated Professional Standards

- 5.4. In March 2023 the Global Institute of Internal Audit (IIA) launched a consultation on completely revised Standards for the profession. That consultation is now closed and the IIA has announced publication of new Standards in early 2024, to come into force 12 months later. The UK's Internal Audit Standards Advisory Board (IASAB), which includes Lewisham's Head of Assurance as the local government representative, will begin work early in the year on revised Public Sector Internal Audit Standards based on the new Global Standards. We would be happy to present a paper to Members in 2024 on the new Standards and their implications for Lewisham's audit arrangements.

## Internal Audit Engagements 2023/24

Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
<b>2023/24 Completed Audit Engagements (x8)</b>					
23/24-LH-01	Rent Collection & Arrears Management	(None)	<b>Substantial</b>	15-Jul-23	
23/24-CE-01/2	Supporting Families Grant (Q1/Q2)	(None)	<b>Grant Certified</b>	20-Sep-23	
23/24-LH-03	Property Compliance (Gas & Lifts)	2 x Med, 5 x Low	<b>Satisfactory</b>	6-Oct-23	
23/24-LH-04	Safeguarding (Lewisham Homes)	1 x Med, 1 x Low	<b>Satisfactory</b>	27-Oct-23	
23/24-RBE-13	Sports & Leisure Contracts	1 x Med, 5 x Low	<b>Satisfactory</b>	22-Nov-23	
23/24-SCH-03	Adamsrill Primary School	11 x Low	<b>Substantial</b>	22-Nov-23	
23/24-RBE-21	Budget Setting & Savings Targets	2 x Med, 2 x Low	<b>Satisfactory</b>	23-Nov-23	
23/24-RBE-06	School Place Planning	2 x Med, 3 x Low	<b>Satisfactory</b>	27-Nov-23	

All final reports published so far against 2023/24 internal audit plans have concluded with positive assurance.

The tables below set out the remainder of work included in approved audit plans. Engagements with a code containing 'LH' were part of the audit plan approved by Lewisham Homes' Audit Committee. The remainder were part of Lewisham Council's plan approved by Members of the Audit Panel in March 2023. All audit engagements are scheduled to the Council's in-house internal audit team except those with an 'LH' code, or where otherwise indicated.

In each chart, the dark highlighted boxes indicate progress up to 27 November 2023, with light highlights show further steps planned.

Ref	Title	Assigned	Planning	Fieldwork	Reporting	A&RC 6 March	A&RC June 2024
<b>2023/24 In-Progress Audit Engagements expected to report to Members in March 2024 (x24)</b>							
23/24-CON-01	Children's Social Care Assurance Mapping						
23/24-CON-02	Adult Social Care Assurance Mapping						
23/24-CON-03	IT Network Security Assurance Mapping						
23/24-LH-05	Asset Management (Lewisham Homes)						
23/24-LH-06	Repairs Service - Disrepair						

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Ref	Title	Assigned	Planning	Fieldwork	Reporting	A&RC 6 March	A&RC June 2024
23/24-RBE-02	Corporate Communications						
23/24-RBE-04	Staff Performance Management						
23/24-RBE-07	Schools HR Services						
23/24-RBE-08	Virtual School						
23/24-RBE-10	Access & Inclusion						
23/24-RBE-11	Licensing (Alcohol & Gambling)						
23/24-RBE-12	Tree Maintenance						
23/24-RBE-14	Community Development						
23/24-RBE-15	Accounts Receivable						
23/24-RBE-20	Accounts Payable						

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Ref	Title	Assigned	Planning	Fieldwork	Reporting	A&RC 6 March	A&RC June 2024
23/24-RBE-24	Apprenticeships						
23/24-RBE-25	Planning Application Management						
23/24-RBE-28	Street Cleansing						
23/24-RBE-30	Flood Management						
23/24-RBE-31	Housing Delivery Programme						
23/24-SCH-04	Edmund Waller Primary School						
23/24-SCH-05	Holbeach Primary School						
23/24-SCH-10	St Saviour's Primary School						
23/24-SCH-15	Stillness Junior School						

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Ref	Title	Assigned	Planning	Fieldwork	Reporting	A&RC 6 March	A&RC June 2024
<b>2023/24 Audit Engagements scheduled but not started, expect to report to Members in June 2024 (x19)</b>							
23/24-CE-01/2	Supporting Families Grant (Q3/Q4)						
23/24-LH-07	Tenancy Management Organisations						
23/24-LH-08	Tenant Voice New Tenant Satisfaction Measures						
23/24-RBE-01	Starters & Leavers						
23/24-RBE-03	Resilience Planning						
23/24-RBE-05	Statutory Enquiries (FoI, SAR)						
23/24-RBE-09	Education and Healthcare Plans						
23/24-RBE-16	Facilities Management						
23/24-RBE-17	Insurance Claim Management						

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Ref	Title	Assigned	Planning	Fieldwork	Reporting	A&RC 6 March	A&RC June 2024
23/24-RBE-18	Corporate Performance Management						
23/24-RBE-19	Registrar Office						
23/24-RBE-22	IT Support						
23/24-RBE-23	Parking Enforcement						
23/24-RBE-26	Highways Management						
23/24-RBE-29	Building Control						
23/24-SCH-02	Marvels Lane Primary School						
23/24-SCH-11	St Bartholomew's Primary School						
23/24-SCH-13	St James Hatcham Primary School						
23/24-SCH-14	Holy Trinity CE Primary School						

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Ref	Title	Assigned	Planning	Fieldwork	Reporting	A&RC 6 March	A&RC June 2024
<b>2023/24 School Audit Engagements scheduled for summer term 2024, expected report to Members in September 2024 (x6)</b>							
23/24-SCH-01	Watergate School						
23/24-SCH-06	Kilmorie Primary School						
23/24-SCH-07	St Michael's CE Primary School						
23/24-SCH-08	Sydenham Secondary School						
23/24-SCH-09	Brindishe Federation Schools						
23/24-SCH-12	Ashmead Primary School						
<b>2023/24 Audit Engagements part of approved plans but subsequently cancelled (x3)</b>							
23/24-LH-02	Budgetary Control (Lewisham Homes)	Engagement cancelled from Lewisham Homes' plan as not relevant to merged organisation. TIAA resource redirected to 23/24-RBE-20: Accounts Payable					

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Ref	Title	Assigned	Planning	Fieldwork	Reporting	A&RC 6 March	A&RC June 2024
23/24-LH-09	Core Financial Systems	Engagement cancelled from Lewisham Homes' plan as not relevant to merged organisation. TIAA resource redirected to 23/24-RBE-15: Accounts Receivable					
23/24-LH-10	Risk Management Assurance Mapping	Engagement cancelled from Lewisham Homes' plan as not relevant to merged organisation. TIAA resource redirected to 23/24-RBE-17: Insurance Claims					

All the cancelled engagements were on the Lewisham Homes plan originally. The decision to cancel stems from the audit topic no longer being relevant in the larger organisation, often because the proposed audit topic wholly or partly duplicates one already selected for review in the Council's internal audit plan. In each instance TIAA have agreed to redirect the planned resource to complete an alternative engagement from the Council's internal audit plan.

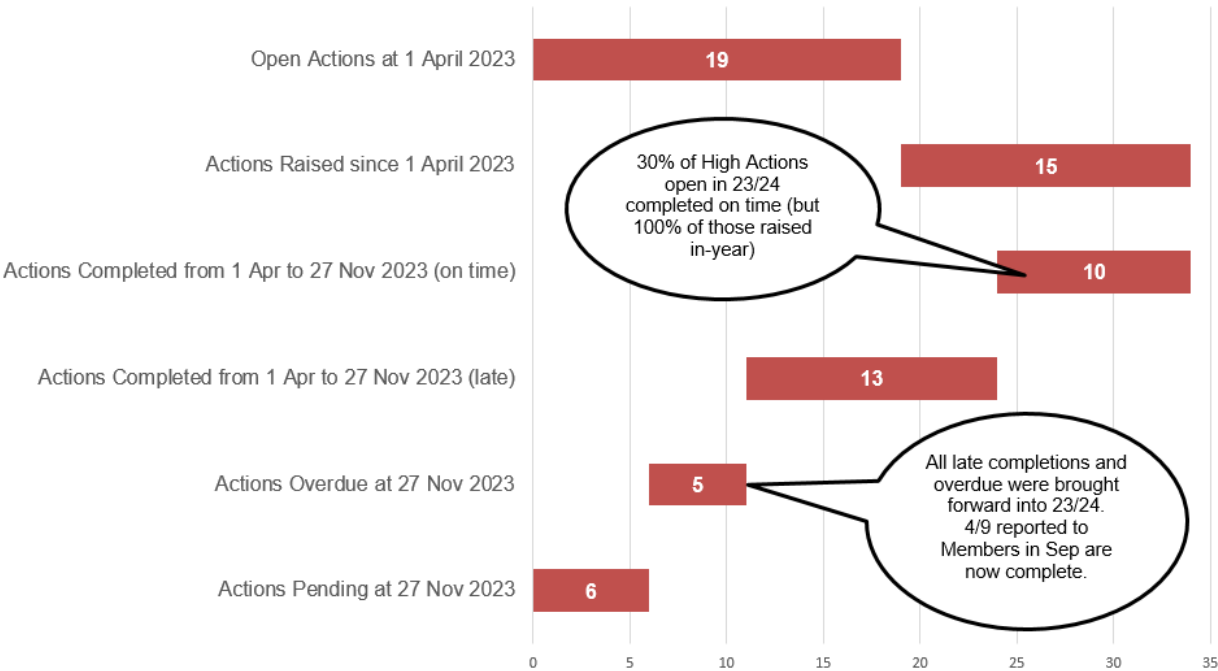
Currently, we are planning to complete all corporate engagements on the approved audit plan in time to support the Head of Internal Audit Annual opinion scheduled for late May 2024. This is except for half a dozen school audits where we have, sometimes at request of the school, sought to schedule the work to take place in the summer term 2024. We will report on these remaining audit engagements at the next opportunity after providing the annual opinion.

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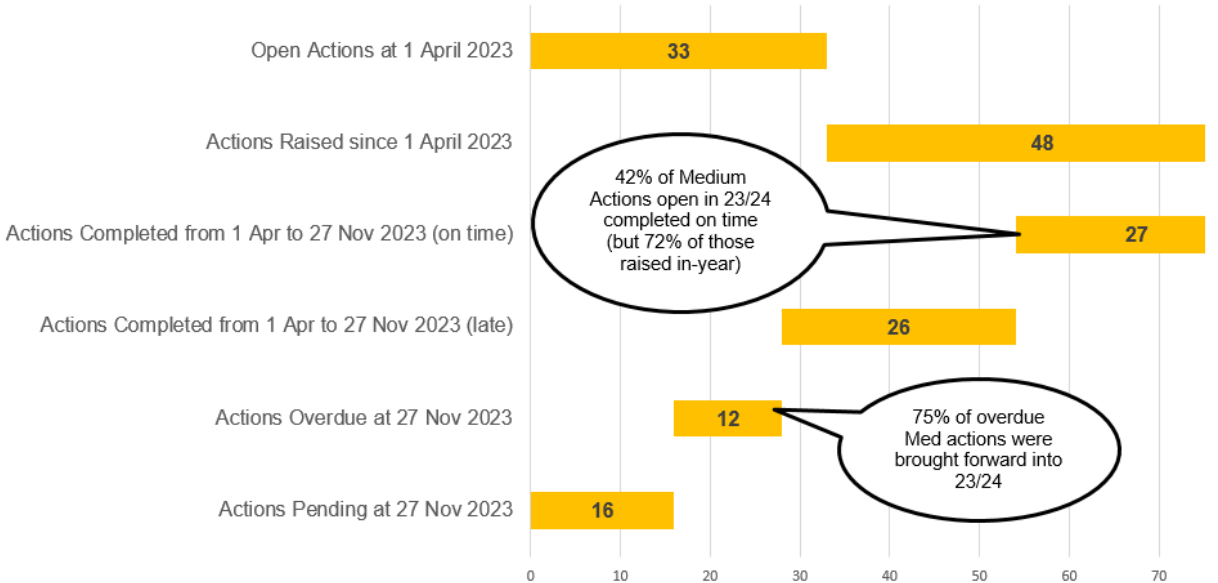
## 6. Agreed Actions Follow-Up

6.1. An important part of how internal audit seeks to drive governance improvements is through agreeing remedial actions to address audit engagement findings. The charts below describe the current (to 27 November) performance in implementing high and medium priority actions (we only follow-up low priority actions when revisiting the same area in a subsequent audit engagement). The numbers below include some actions reported complete pending the verification work we typically undertake for high priority actions.

**High Priority Action Completion Performance 2023/24 (to 27/11/23)**



**Medium Priority Action Completion Performance 2023/24 (to 27/11/23)**



- 6.2. In September, we reported to Members on a persistent set of overdue actions that continue to impact performance which, otherwise, continues to improve. Looking only at 'current' actions, completion rates continue to improve – from 54% to 72% for medium priority and remaining at 100% for high priority actions.
- 6.3. The tables below provide specific additional detail on overdue actions. Where the action also featured in September reporting to Members, we have highlighted and included extra commentary provided by the responsible service where high priority actions are still pending or current due dates on medium priority actions have changed.

### High Priority Actions Overdue (x5)

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 <b>31-Dec-23</b>
<p><b>Service Commentary:</b> The Core Accounting team are working with PWC [the Council's VAT advisors] to update the methodology then creating files for all years not completed, started in 2022/23 and working back. Aiming to complete these calculations by the end of December.</p>		
HMO Licensing & Enforcement 30-Jul-21	Annual license renewal checks	31-Dec-21
	Match unallocated payments to outstanding civil penalty notices (CPNs)	<b>31-Jan-24</b> <b>31-Mar-24</b>
	Pass unpaid CPN details to debt recovery	(Current date reported as 27-Nov previously)
<p><b>Service Commentary:</b> One of four actions [as reported in September] now complete. On unallocated payments and unpaid CPN details, only two now remain outstanding and will complete by end January. On the license renewals, the original date was based on expected functionality of a new system. Will now have to deliver through alternative means and will update in new year.</p>		
Homelessness 3-Oct-22	Conduct reconciliation between Locata system and housing register duty.	31-Mar-23 29-Mar-24
<p><b>Service Commentary:</b> Delayed implementation owing to volume of cases within the system. Completion now expected by end of 2023/24.</p>		

## Medium Priority Actions Overdue (x12)

Audit Title & Report Date	# Actions Overdue	Earliest Due Date (original)	Latest Due Date (current)
Asset Management 3-Feb-21	1	30-Apr-21	30-Apr-24
<b>Service Commentary:</b> Current due date previously reported as 30 September, now scheduled as part of year-end processes.			
School Finance 20-Apr-21	3	30-Jun-21	30-Apr-24
<b>Service Commentary:</b> One action complete (4 previously reported outstanding). Remainder will be completed within revised school finance manual at year-end so current due date moved (previously reported as 30 September)			
Accounts Receivable 20-May-21	1	30-Sep-21	31-Jan-24
<b>Service Commentary:</b> Concerns review of credit note processes, now scheduled to take place after current recruitment (current date previously reported as 30-Sep).			
Main Accounting 2-Jul-21	1	31-Dec-21	31-Dec-23
Budget Monitoring CYP/COM 24-Aug-21	2	31-Oct-21	22-Dec-23
Homelessness 3-Oct-22	1	31-Oct-22	29-Mar-24
<b>Service Commentary:</b> Discretionary Housing Payment reconciliation delayed alongside Locata reconciliation. Now expected by end of 23/24 (was 30-Sep).			
VOIDS Management 29-Jun-23	3	30-Jul-23	30-Sep-23

## **7. Financial implications**

7.1. This report is to note, so there are no directly arising financial implications.

## **8. Legal implications**

8.1. This report is to note, so there are no directly arising legal implications.

## **9. Risk Implications**

9.1. This report is to note, so there are no directly arising risk implications.

## **10. Equalities implications**

10.1. This report is to note, so there are no directly arising equalities implications.

## **11. Climate change and environmental implications**

11.1. This report is to note, so there are no directly arising climate change and environmental implications.

## **12. Crime and disorder implications**

12.1. This report is to note, so there are no directly arising crime and disorder implications.

## **13. Health and wellbeing implications**

13.1. This report is to note, so there are no directly arising health and wellbeing implications.

## **14. Background papers**

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

## **15. Report authors 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](mailto:rich.clarke@lewisham.gov.uk).

## **16. Appendices**

16.1. Appendix A – Counter Fraud Case Studies (Part 2 Appendix)