



Audit & Risk Committee

Internal Audit Plan 2024/25

Date: 11 September 2024

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Rich Clarke, Head of Assurance

Outline and recommendations

This report presents the proposed Internal Audit Plan for 2024/25. It sets out the risk analysis that underpins the plan and an assessment on the adequacy of resources available to provide assurance against that analysis. Finally, it sets out how we intend to use the available resources of around 820 days to provide assurance to Senior Management and Members.

We ask Audit & Risk Committee to approve the Plan.

Timeline of engagement and decision-making

February/March/April 2024 – Consultation on draft plan through DMTs.

3 April 2024 – Consultation on combined plan with EMT

4 June 2024 – Plan presented to Audit & Risk Committee for approval

1. Summary

- 1.1. This report sets out the proposed Internal Audit Plan for 2024/25. It sets out the approach to developing the plan, evaluating and using available resources, working towards providing a Head of Assurance Opinion on the Council's governance, risk management and internal control in late Spring 2025.

2. Recommendations

- 2.1. We recommend that the Audit & Risk Committee **approve** the proposed 2024/25 Internal Audit Plan

3. Policy Context

- 3.1. High quality governance is a crucial component in maintaining a effective and ethical organisation and delivering across the Council's Corporate Priorities as set out in the [Corporate Strategy \(2022-2026\)](#).
- 3.2. Review and approval of the Internal Audit Plan is essential to retain conformance with [Public Sector Internal Audit Standards](#) (the "Standards"). This conformance, in turn, helps ensure the Council fulfils its obligations under the [Accounts and Audit Regulations 2015](#) to undertake an effective internal audit.

4. Background

- 4.1. The Council's [Internal Audit Charter](#) sets out that to establish, maintain and assure the Council's internal audit service has sufficient authority to fulfil its duties, the Audit & Risk Committee will approve a risk-based internal audit plan each year.
- 4.2. This plan has been developed by the Head of Assurance (who serves as the Council's [Chief Audit Executive](#)) in conformance with the Standards.

Internal Audit Plan 2024/25

5. Public Sector Audit Standards Requirements

- 5.1. Standards [2010 to 2030](#) set out how the Head of Assurance must compile the audit plan. These Standards are:
- **Standard 2010:** Establish a risk-based plan consistent with the organisation's goals. The plan must draw on consultation with Senior Management and consider the organisation's strategies, objectives, risks and risk management processes. The plan must be flexible to changes in risk and circumstance throughout the year. The plan must also work towards delivering a year-end opinion...
 - **Standard 2010.A1:** The plan must draw on a documented risk assessment, undertaken at least annually and prepared in consultation with Senior Management.
 - **Standard 2030:** The [Head of Assurance] must evaluate whether resources are appropriate, sufficient and effectively deployed to achieve the plan. In the public sector, additionally, there is a specific obligation to explain how they have assessed resource requirements and report any concerns to Members.

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5.2. There is a new set of [Global Internal Audit Standards](#) now published ahead of implementation. The UK Public Sector [Internal Audit Standards Advisory Board](#) (which includes the Council's Head of Assurance as the local government representative) has recently determined that these new Global Standards, subject to local amendments still in development, will apply from 1 April 2025. Until then, the existing Standards will continue to apply but over the course of the year we will orient our work so we're ready to adopt the new standards.

6. Risk Analysis and Plan Compilation (Standard 2010)

6.1. Preparing the plan began with a risk assessment undertaken within the internal audit team in the period around Christmas 2023. The assessment drew on a wide range of sources, including broader sectoral updates such as the [IIA's Risk In Focus 2024](#) document, consultation with colleagues through the London Audit Group and [Local Authority Chief Auditors' Network](#) plus local information such as departmental service plans and prior audit findings.

6.2. The risk assessment focused on the risk each area posed to accuracy of the Head of Audit Opinion. It considered risk in two dimensions:

- **Likelihood:** How likely is it that the Opinion will be wrong about the service? Considering factors such as the time since last review, extent of work by other assurance providers, service complexity and level of recent service change.
- **Impact:** How badly wrong would the Opinion be if it misjudged this service? Considering factors such as strategic importance, budget size, public profile and the extent to which other areas rely on this service for effective function.

6.3. As last year, the assessment looked at the full scope of the Council's "audit universe". On completing the risk assessments, we used the Audit Planning module in our market-leading Audit Management Software ([Ideagen Pentana](#)) to help draw up a "longlist" of potential engagements for consideration. This longlist feeds the risk assessment against the length of time since previous audits to determine which areas are due for examination. We then took this longlist for consultation with Senior Management across the Council.

6.4. While the plan does not include everything on the longlist it is important to note that, at minimum, every area has been risk assessed and considered in consultations with individual Directorates. Consequently the Head of Assurance can assure EMT that the proposed plan (including the intelligence used in its creation) has a sufficiently broad scope to deliver a sound year end Opinion.

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- 6.5. A significant change arising in part from those risk assessments is a de-emphasis on school engagements. Pre-pandemic the Council had committed to visiting every school every three years, resulting in c.25 school engagements each year. The cycle broke down during the pandemic, partly because of the wider disruption but also a failed experiment in contracting out the entire schools programme to a private sector supplier. In 2022/23 and 2023/24 we brought the programme back in house and worked to complete what had become a 6-year cycle meaning that we begin 2024/25 with every school having had an audit visit in the period 2018-2024.
- 6.6. Completing that cycle afforded the opportunity to revise our approach to school audit. Maintaining or restoring the three-year cycle would be significantly resource intensive, and require devoting more than a third of internal audit time to schools.
- 6.7. For 2024/25 we have opted to shift to a fully-risk based approach, which has reduced the level of school coverage to around 8% of the plan. We believe this is broadly commensurate to the level of risk involved, but have slightly increased the amount of contingency in the budget in part to allow for rapid response work at any high-risk schools that might come to attention during the year ahead. At the same time we have also ended the practice of charging schools individually and directly for the audit they incur, in keeping with the common practice throughout London and recognising that the audit is now primarily driven by Council-wide risk assessment.
- 6.8. However, we recognise that schools individually may value and seek out audit assurance through the year. We will be during 2024/25 developing an offer to allow schools to buy-in internal audit work either as a full engagement or to examine specific risks or issues. We aim to launch that approach ahead of the academic year 2024/25 on the Council's school services portal.
- 6.9. We include a full list of planned engagements, plus commentary on expected audit approach, at Appendix A of this report.

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7. Resource Analysis (Standards 2020/2030)

- 7.1. The available resource for the internal audit service for 2024/25 comprises an estimated 830 days. This includes 730 days from the in-house team (described further below) and 100 days of external support. This is effectively constant with the level in previous years (820 days in 2023/24) with various changes largely offsetting each other. The overall (financial) budget for the audit service has not reduced out of line with general Council service efficiency demands.
- 7.2. These days include not just the audit engagements but the full range of work delivered by the internal audit service. The table below sets out an indicative split between different types of activity (with comparative figures to 2023/24).

<i>Task</i>	<i>2024/25 Plan Days</i>	<i>2023/24 Plan Days</i>
<i>Corporate Audit Engagements</i>	570	485
<i>School Engagements</i>	65	180
<i>Audit Planning & Reporting</i>	25	25
<i>Member Liaison & Training</i>	5	5
<i>Actions Follow-Up</i>	60	45
<i>Contingency & Consultancy</i>	100	80
<i>Total</i>	830	820

Figure 1 Table showing distribution of audit resource days between different tasks, 23/24 and 24/25

- 7.3. The Standards also require a view on whether the audit service has adequate resources to deliver a robust opinion. There is no objective standard setting out the quality and quantity of resources needed, noting that will always be a judgement considering the size, complexity and risk of the organisation.

7.4. However, we have considered a range of indicators to help guide that judgement. First is the relative resource position of Lewisham compared to other London Boroughs as illustrated below:

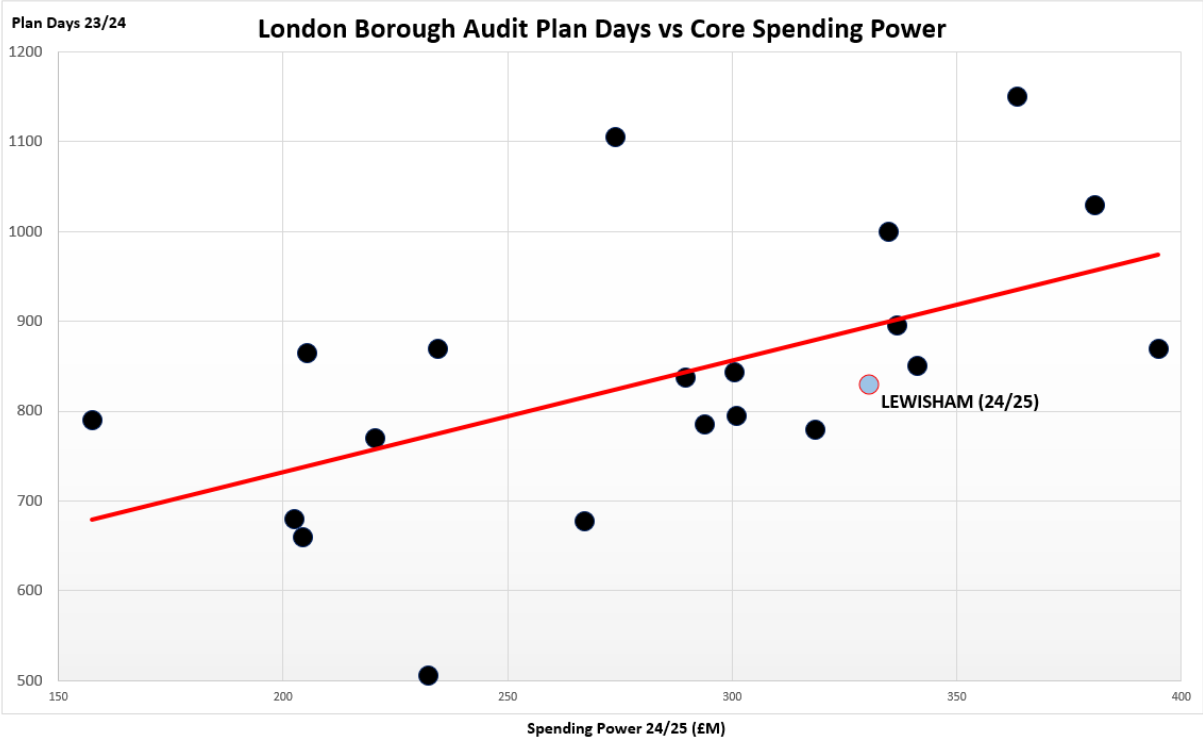


Figure 2 Scatterplot graph of internal audit plan days against size of authority in London

7.5. There is a moderately positive (0.5) correlation between authority size as measured by its spending power and the extent of its audit plan, as shown by the best-fit line on the above. By this measure Lewisham is marginally below the ‘expected’ resource. However, I’m satisfied that’s not inconsistent with the level of risk at Lewisham compared with other authorities. So I’m content that Lewisham’s internal audit resources are materially consistent with the levels observed across London local government.

7.6. We must also consider quality as well as quantity, as the Standards explain. At Lewisham we have access to expertise from external firms such as PWC through framework agreements such as CCAS. However, the bulk of our internal audit work is delivered through an in-house audit team structured as set out in the chart below:

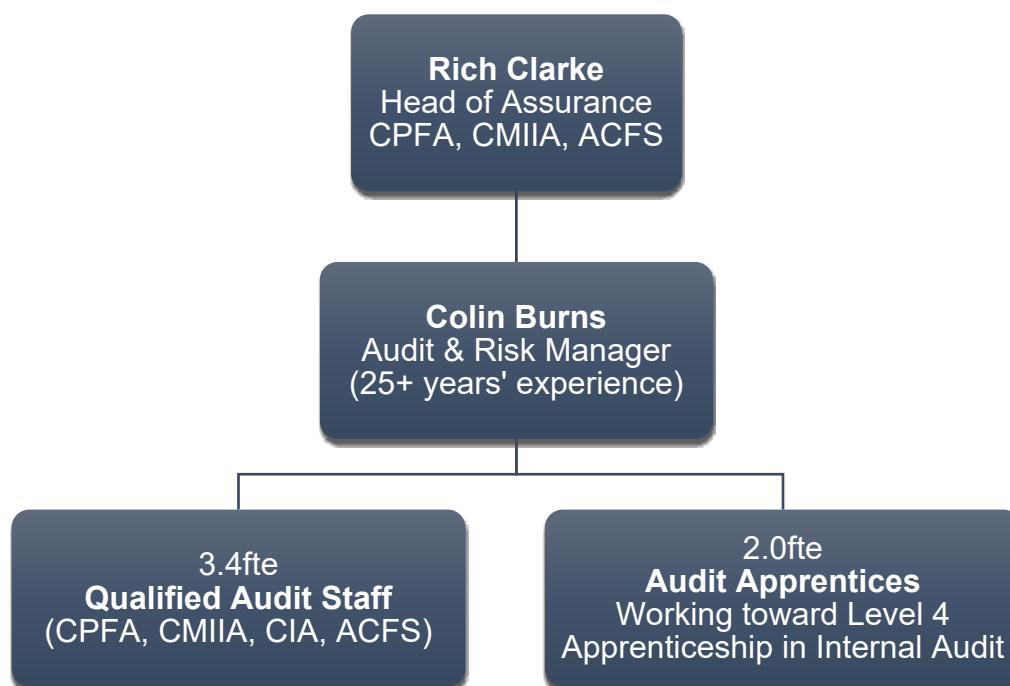


Figure 3 Internal Audit Structure Chart as of March 2023

- 7.7. Note that all staff in the team are either already professionally qualified or working towards qualifications or otherwise hold significant experience in internal audit. There is currently one vacant post held pending a restructure that will boost risk management resources.
- 7.8. Also to note that the apprenticeship scheme (which began in autumn 2022) will come to an end during 2024/25. However, the Council is participating in Cohort #3 of the London-wide internal audit apprenticeship scheme and we will be joined by two new apprentices in autumn 2024.
- 7.9. Taking into account the level of risk, we are content the Council has adequate resources to deliver robust internal audit assurance in 2024/25.

8. Financial implications

- 8.1. The audit plan set out in this report will be delivered within existing agreed budgets.

9. Legal implications

- 9.1. Agreement of an Annual Internal Audit Plan supports the Council in demonstrating compliance with the Accounts & Audit Regulations 2015.

10. Equalities implications

- 10.1. There are none arising direct from this report.

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11. Climate change and environmental implications

11.1. There are none arising direct from this report.

12. Crime and disorder implications

12.1. There are none arising direct from this report.

13. Health and wellbeing implications

13.1. There are none arising direct from this report.

14. Background papers

14.1. Background papers are hyperlinked through the document.

15. Report author and contact

15.1. Rich Clarke, Head of Assurance. Telephone 020 8314 8730.

16. Appendices

16.1. Appendix A – List of Proposed Audit Engagements 2024/25

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Appendix A: List of Proposed Audit Engagements 2024/25

The listing below sets out the titles of proposed engagements on the 2024/25 audit plan. We will develop each into a detailed Terms of Reference in consultation with the service during the engagement planning phase. The engagements noted in **bold type** were also on the 2023/24 plan but deferred into this new year.

Chief Executive's Directorate (4)	
Information Security & Data Protection	Legal Services
Diversity & Equalities ¹	Starters & Leavers Processes (23/24)
Children & Young People Directorate (4)	
Short Breaks and Respite Care	School Admissions
Special Educational Needs & Healthcare Plans (23/24)	Access & Inclusion (23/24)
Adults Social Services & Health (3)	
Client Contributions for Care Provision	Public Health (BLACHIR Report)
Digital Inclusion in Adult Social Care	
Corporate Resources Directorate (9)	
Workforce Health & Safety	Banking & Treasury
Contract & Supplier Management	Enterprise Risk Management
IT Project Management	Council Tax Collection
IT Application Security	Payroll
Complaints Handling	

¹ We included this engagement on the audit plan circulated in June 2024 based on our understanding of the Council's plans to add additional co-ordinating resource to this area. While those plans remain, we now understand the key officer will not likely be in place until early 2025. So, we will not pursue this engagement in 2024/25 but likely consider it for the 2025/26 plan, including potentially starting early if circumstances change.

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Housing Directorate (8)

Private Landlord Licensing	Building Safety
Major Repairs & Refurbishments	Housing Safety Compliance
Tenancy Management (incl. ASB)	Responsive Repairs
Tenancy Management Organisations	Damp & Mould Response
Place (7)	
Planning Enforcement	Waste Management
Capital Asset Management	Land Charges
Highways Management (23/24)	Home Improvement Grants (23/24)
Parking (23/24)	
Schools (6)	
Brindishe Federation	Watergate
Marvels Lane	Sydenham Secondary
Kilmorie Primary	Ashmead Primary

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Further Details on Proposed Engagements

Title & Indicative Scope	
Chief Executive’s Directorate (4)	
Information Security & Data Protection	<i>- To seek assurance the Council has effective controls for managing data protection including training, monitoring and managing incidents.</i>
Legal Services	<i>- To seek assurance the Council has controls that support its ability to consistently access qualified and quality legal support and advice.</i>
Diversity & Equalities	<i>- (See note regarding this engagement moving to a 2024/25 plan date) To seek assurance the Council is effectively and consistently fulfilling obligations of the public sector equality duty, including on equalities impact assessments</i>
Starters & Leavers Processes	<i>- (Deferred from 2023/24) To seek assurance the Council has effective processes for onboarding new starters and for closing down and handing over at the end of employment. This will also cover IT equipment allocation and collection.</i>
Children & Young People Directorate (4)	
Short Breaks & Respite Care	<i>- To seek assurance the Council has effective controls for managing its short breaks and respite care offer to families in the borough.</i>
School Admissions	<i>- To seek assurance the Council has effective and efficient controls to manage allocation of school places. The audit will likely focus on secondary admissions but, pending discussions with the service, may also cover primary admissions and in-year transfers. It is unlikely the audit will address special school or PRU admissions.</i>
Special Educational Needs & Healthcare Plans	<i>- (Deferred from 2023/24) To seek assurance the Council has effective controls to ensure it is making sound decisions on when to undertake EHC needs assessment and provide EHC plans, including learning from appeals or complaints. Note the audit will not address the quality or extent of EHC plans as that is a specialist judgement beyond the scope of a general internal audit service.</i>

Title & Indicative Scope

Access & Inclusion

- (Deferred from 2023/24) To seek assurance the Council has effective controls for managing Outreach Inclusion Service referrals and monitoring the success of interventions.

Adults' Social Care & Health Directorate (3)

Client Contributions for Care Provision

- To seek assurance the Council has effective controls for identifying, assessing and collecting client contributions for their adult social care. Note this audit will include reviewing financial and service controls to examine the process end-to-end.

Public Health (BLACHIR)

- To seek assurance the Council and Health & Wellbeing Board have effective controls for monitoring against the opportunities for action set out in the March 2022 Birmingham & Lewisham African Caribbean Health Inequalities Review (BLACHIR)

Digital Inclusion in Adult Social Care

- To seek assurance the Council has effective controls to expand digital inclusion in adult social care, including monitoring and learning from existing initiatives.

Corporate Resources Directorate (7)

Workforce Health & Safety

- To seek assurance the Council has effective controls for managing its responsibilities under the Health & Safety at Work Act. Will likely focus on risk assessments (and mitigations) plus incident reporting and investigation².

Enterprise Risk Management

- To seek assurance the Council has effective processes for capturing, integrating and acting on information about its enterprise risks. Will likely focus on quality of reporting plus evidence of appropriately frequent updates and revision¹.

² These services report functionally to the Head of Assurance. So, as explained the Audit Charter, we will need to arrange independent completion to avoid conflict of interest. At this point in planning, we expect this will mean engaging an external professional services firm using budget already set aside for specialist audit support. However, we are also in discussion with neighbouring boroughs about the possibility of seeking limited partnership arrangements to undertake specific audit engagements. We will update the Committee if those discussion progress and change anticipated methods for delivering this audit engagement.

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Title & Indicative Scope

Contract & Supplier Management

- To seek assurance the Council has effective processes to ensure conformance with its expectations on contract and supplier management. The audit will likely focus on a sample of smaller-to-medium size contracts across the Council (large contracts would typically have an audit engagement to themselves) and address how we manage performance and monitor supplier stability.

IT Project Management

- To seek assurance the Council has adopted and is adhering to effective project management approaches in achieving digital transformation objectives. The audit will likely engage with a sample of projects and deal with how those projects identify and manage risk and monitor and report on progress. As part of the sample we may need to engage with other sponsors, e.g. STS colleagues.

IT Application Security

- To seek assurance the Council has effective controls for managing access to and monitoring activity within a selection of key software applications. May include reviewing processes for managing Single Sign On functionality that will include liaison with STS.

Payroll

- To seek assurance the Council has effective controls for managing accurate payments to staff. Likely to focus on key core controls such as reconciliations and system-wide adjustments and parameters to ensure material accuracy (separate audit on starters and leavers will involve a degree of review over processes for managing change).

Complaints Handling

- To seek assurance the Council has effective controls for monitoring and reporting performance for handling complaints and enquiries, including any remedial or improvement action. The audit will not go into the substance of complaint responses.

Housing Directorate (8)

Private Landlord Licensing

- To seek assurance the Council has effective controls for administering and issuing licenses under the selective licensing scheme approved by DLUHC in December 2023. Note that the scheme will come into effect in July 2024 so this audit will take place late in 2024/25 or potentially be deferred to 2025/26.

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Title & Indicative Scope

Building Safety

- To seek assurance the Council has effective controls for meeting its responsibilities under the Building Safety Act 2022, including arrangements for managing information and ensuring duty holder compliance is achieved and maintained.

Major Repairs & Refurbishments

- To seek assurance the Council has effective arrangement for identifying, programming and monitoring major repair works and refurbishment programmes such as kitchen and bathroom works required to bring properties up to standards. The audit will not cover individual property condition surveys or detailed challenge to estimated costs as these are expert areas beyond general internal audit expertise.

Housing Safety Compliance

- Continuing an arrangement previously in place with Lewisham Homes whereby internal audit reviews controls for ensuring compliance with statutory obligations across six major areas of property compliance in a three-year cycle. In 2024/25 the audit will examine water and electrical safety controls (with fire and asbestos safety to follow in 2025/26 and lift and gas safety in 2026/27).

Tenancy Management (incl. ASB)

- To seek assurance the Council has effective arrangements for managing anti-social behaviour including keeping operational procedures under review for best practice developments, monitoring and reporting and responding to incidents.

Responsive Repairs

- To seek assurance the Council has effective controls for identifying repair need, scheduling work, selecting contractors (where not DLO), post inspection and monitoring for responsive repairs.

Tenancy Management Organisations (TMOs)

- To seek assurance the Council has effective controls in place for monitoring compliance with its service level agreements with each of its two TMOs (Ewart Road and Five Ways). We note that this audit was scheduled by TIAA in 2022/23 and 2023/24 but was not completed after difficulty securing engagement with the TMOs.

Damp & Mould Response

- To seek assurance the Council has effective controls in place for monitoring achievement of the commitments in the January 2024 Damp, Mould & Leaks policy.

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Title & Indicative Scope

Place Directorate (7)

Planning Enforcement

- To seek assurance the Council has effective controls for monitoring compliance with planning controls and taking enforcement action where appropriate.

Waste Management

- To seek assurance the Council has effective controls for managing and monitoring the performance of its waste collection services. Pending discussion with the service, the scope may include bulky and garden waste collections as well as the main collections. The audit is unlikely to include expanded food waste collections but may feature in the scope depending on scheme timing.

Capital Asset Management

- To seek assurance the Council has effective arrangements for compiling and maintaining information on the extent and state of its capital assets. The audit will follow completion of an asset review currently underway in the service and so likely take place towards the end of 2024/25.

Land Charges

- To seek assurance the Council has effective controls for managing requests for local land charges searches, including financial controls and performance monitoring. The audit will not assess the accuracy or completeness of responses to search requests as that is expertise beyond the scope of a general internal audit.

Highways Management

- (Deferred from 2023/24) detailed scope to be planned with the service but may cover some or all of contract management, repairs, road closures, gritting or maintaining street furniture.

Home Improvement Grants

- (Deferred from 2023/24) To seek assurance the Council has effective controls for ensuring efficient administration and adherence to the schemes set out in its Housing Assistance Policy 2023.

Parking

- (Deferred from 2023/24) detailed scope to be planned but may cover enforcement, residents' parking permits, parking income management. The audit will not take place until after the current procurement, which may mean its deferral into 2025/26.

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Title & Indicative Scope

Schools (7)

Brindishe Federation

Watergate School

Marvels Lane

Sydenham Secondary

Kilmorie Primary

Ashmead Primary

- *Schools' audits work to a standard programme looking at key areas of financial control and compliance with the Schools Financial Value Standard.*

As noted in the main report, our planning approach for 2023/24 has emphasised looking at the breadth of the Council's operations, moving away from a focus narrowly on finance and schools. The chart below tracks the development of that broader approach over the past two years.

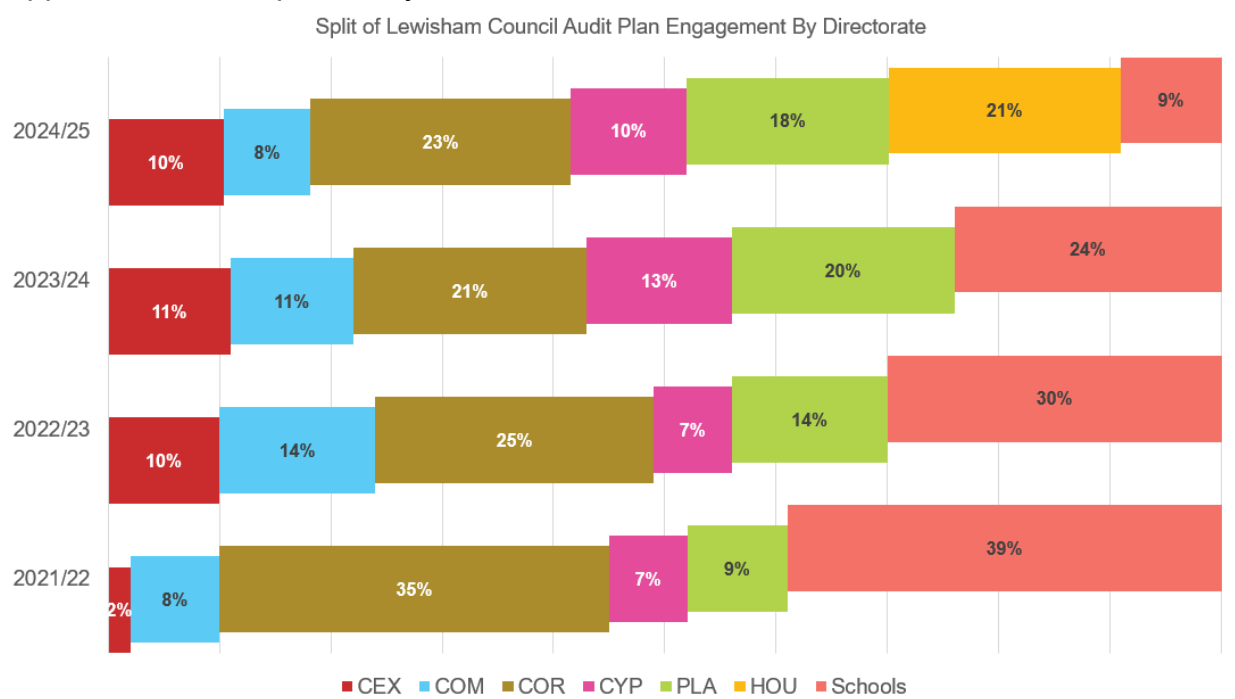


Figure 4 Percentage of audit engagement time dedicated to each directorate, 2021/22 to 2024/25

Also note this engagement list only includes work undertaken under the Standards that will result in an output report. We also typically complete a range of tasks such as certifying Government Grants and other advisory work.

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