



Audit & Risk Committee

Internal Audit Update December 2024

Date: 12 December 2024

Key decision: No

Class: Part 1

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 2024/25 internal audit plan. The report also provides information about upcoming changes to Global Internal Audit Standards, effective April 2025, including the new Internal Audit Charter the Standards require.

We ask that Members **note** the report and **approve** the Internal Audit Charter

Timeline of engagement and decision-making

11 September 2024: Internal Audit plan 2024/25 approved by Committee.

1 April 2025: Global Internal Audit Standards and other mandatory guidance comes into force in the UK public sector (though early adoption encouraged).

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

1. Summary

- 1.1. The report provides an update on progress towards completing the 2024/25 Internal Audit Plan approved by Members in September. In a typical year we would have submitted the plan for approval in March, but that was delayed by successive committee dates being cancelled in the wake of elections.

- 1.2. There are no findings of individual concern yet arising from our 2024/25 work. All published reports to date have received positive assurance conclusions. Work so far has concentrated on refreshing our audit approach in preparation for new Standards, especially the greater demands on planning and risk assessment that precede embarking on detailed testing. We have also concluded our School audit programme and brought on board two new apprentices who started with us this autumn.
- 1.3. We continue work following up agreed audit actions, including those carried forward from Lewisham Homes. We are pleased to report good progress in implementing agreed actions.
- 1.4. The new Global Internal Audit Standards will raise quality across the audit profession. On 1 April 2025 these Standards (accompanied by some UK-specific supplementary guidance) will become mandatory in the public sector. Lewisham's internal audit team is already working to align its processes with updated requirements. A new Internal Audit Charter – the document that governs internal audit work and relationships with senior management and the Committee – is required by the Standards and included at Appendix A.

2. Recommendations

- 2.1. The Committee **approves** the Internal Audit Charter at Appendix A.
- 2.2. The Committee **notes** the remainder of 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. The report aligns to all priorities through the role of internal audit in supporting good governance.

4. Background

- 4.1. The Council's internal audit service is delivered by an in-house team supplemented by specialist and independent support where necessary. The 2024/25 plan is the first to include Housing services following bringing Lewisham Homes back into the Council in October 2023.
- 4.2. For 2024/25, the Council's audit work is conducted at minimum in line with the Public Sector Internal Audit Standards (PSIAS) but increasingly adapts to the higher standard of the forthcoming Global Internal Audit Standards. We verified our adherence to the PSIAS through an External Quality Assessment in June 2022, and will require a new assessment no later than Spring 2027.

5. Internal Audit Update

Progressing the 2024/25 Audit Plan

- 5.1. The table on the following pages summarises progress, including outcomes of engagements completed and reported up to 1 December 2024. We have experienced some delays in bringing engagements to completion, largely because of additional planning and risk assessment work under the Global Standards. However, the payoff is we expect work to proceed at pace in the new year once we begin implementing testing programmes.
- 5.2. This planning, along with some additional contractor support we plan to procure in early 2025, means we remain confident of completing work sufficient to provide a robust year end opinion.

Internal Audit Team Update

- 5.3. The Council's Head of Assurance, who has been in post since January 2022, will leave the Council in February 2025. He leaves for a new role in February as Chief Executive of SWAP, an audit firm wholly owned by a partnership of more than 20 local and police authorities spread across the country.
- 5.4. Before he departs, he will lead on preparing the team for implementation of new Global Standards and in compiling the 2025/26 internal audit plan. However, as the next Audit & Risk Committee is on 18 March 2025, that plan will be presented by his successor.
- 5.5. Elsewhere in the audit team we have welcomed two new apprentices, brought in as part of the third cohort recruited through a pan-London programme.

Updated Professional Standards

- 5.6. The Global Institute of Internal Audit (IIA) launched new Global Internal Audit Standards (the Standards) in January 2024. In April 2024, the UK's Internal Audit Standards Advisory Board (IASAB, which includes Lewisham's Head of Assurance representing local government) confirmed these Standards would become mandatory in local government from April 2025. This applicability was subject to a UK Public Sector Application Note, prepared by the IASAB, which was published for consultation in September 2024. While noting the Standards would not become mandatory until April 2025, the IASAB encouraged early adoption where possible.
- 5.7. Lewisham's internal audit team has been working to refresh its audit approach to achieve conformance with the new Standards. This began with a training session in March 2024 delivered alongside colleagues from Lambeth and Bromley and has continued through the year with training and revised guidance.
- 5.8. The new Standards represent the biggest change to internal audit practice in more than a decade and seek to significantly raise standards across the profession. The UK's Chartered Institute for Internal Audit has a significant volume of explanatory information available including a [presentation guide aimed at Audit Committee members](#). However, we summarise the key changes below, starting with noting the structure is revised into five separate 'domains' each dealing with a key component supporting effective internal audit practice.
- 5.9. **Domain I (Purpose of Internal Auditing):** An overview statement, the most significant change here being the express responsibility on internal auditors generally to act in the public interest. Previously, internal audit standards have included accountability largely directed towards their engaging organisation but the new Standards have widened this outlook consistent with the more exacting ethical obligations outlined in the next domain.
- 5.10. **Domain II (Ethics and Professionalism):** Significantly expanded and more detailed than previous Standards publications, this section includes specific directions for integrity, objectivity, competence, due professional care, confidentiality and professional courage. It demands that audit services have clear processes in place to safeguard their ethical position and ensure auditors are appropriately trained and supervised.
- 5.11. **Domain III (Governing the Internal Audit Function):** Recognises that to

succeed an internal audit service needs to be appropriately recognised, resourced and supported by the wider organisation. To that end, the Standards set out a range of 'essential conditions' that it invites Chief Audit Executives (the Standards' term for a "Head of Audit") to agree with Senior Management and Audit Committees. Where Chief Audit Executives cannot receive those assurances they must report differences and explain clearly how the internal audit function is impaired as a result. The Standards acknowledge this section will be highly specific to sectors and geographies and so gives local competent agencies wide discretion to amend, which is the UK is the principal function of the IASAB UK Public Sector Application Note.

- 5.12. **Domain IV (Managing the Internal Audit Function):** Sets out in more detail how a Chief Audit Executive must oversee an audit service to guarantee its performance and quality. This includes setting out relevant measures in consultation with senior management and Audit Committees and reporting progress. This Domain also imposes a significant responsibility of the Chief Audit Executive to set out a range of policy and guidance documents to direct the service and manage its work.
- 5.13. **Domain V (Performing Internal Audit Services):** Sets out guidance on performing individual audit engagements, drawing on developed best practice over the last decade since the standards were last reviewed. Much of the updated material here will be familiar to higher-performing services but pose perhaps the most significant delivery challenge to smaller audit services. At Lewisham, the impact of this domain is focussed on bringing risk more clearly into our audit planning, which we anticipate will significantly benefit not just the audit service, but the Council's developing risk management approach.
- 5.14. For Audit Committees, the most visible early change will be a wholly refreshed internal audit charter. At Lewisham we have a new Internal Audit Charter set out at Appendix A.

Internal Audit Engagements 2024/25

Ref	Title	Finding Summary	Assurance Rating	Report Date	Note Para
2024/25 Completed Audit Engagements (x7)					
24/25-CE-02a	Supporting Families Grant (Q1)	(None)	Grant Certified	11-Jun-24	
24/25-CE-02b	Supporting Families Grant (Q2)	(None)	Grant Certified	23-Sep-24	
24/25-CE-01	Social Housing Decarbonisation	(None)	Grant Certified	27-Sep-24	
24/25-SCH-07	Sydenham Secondary School	1 x Med 5 x Low	Substantial	8-Oct-24	
24/25-SCH-01	Ashmead Primary School	4 x Low	Substantial	31-Oct-24	
24/25-SCH-08	Watergate School	2 x Med 3 x Low	Substantial	2-Dec-24	
24/25-SCH-02	Brindishe Schools' Federation	2 x Med 7 x Low	Substantial	3-Dec-24	

All final reports published so far against 2024/25 internal audit plans have concluded with positive assurance.

The tables below set out the remainder of work included in approved audit plans. Most engagements will be completed by the in-house audit team, with a small number completed by outside audit firms for independence, specialist or capacity reasons.

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 18 March	A&RC Jun/Jul 25
2024/25 In-Progress Audit Engagements expected to report to Members in March 2025 (x13)							
24/25-CE-02c	Supporting Families Grant (Q3)						
24/25-RBE-01	School Admissions						
24/25-RBE-09	Payroll						
24/25-RBE-10	Complaints Handling						
24/25-RBE-16	Responsive Repairs/DLO						
24/25-RBE-17	Tenancy Management Organisations						
24/25-RBE-19	Planning Enforcement						

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Ref	Title	Assigned	Planning	Fieldwork	Reporting	A&RC 18 March	A&RC Jun/Jul 25
24/25-RBE-20	Waste Management						
24/25-RBE-22	Land Charges						
24/25-RBE-25	IT Application Security						
24/25-RBE-31	Highways Management						
24/25-SCH-03	Kilmorie Primary School						
24/25-SCH-04	Marvels Lane Primary School						
2023/24 Audit Engagements scheduled but not started, expect to report to Members in June/July 2025 (x21)							
24/25-CE-02d	Supporting Families Grant (Q4)						
24/25-CE-03	Weekly Food Waste Capital Grant						
24/25-RBE-02	Information Security & Data Protection						

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Ref	Title	Assigned	Planning	Fieldwork	Reporting	A&RC 18 March	A&RC Jun/Jul 25
24/25-RBE-05	Client Contributions for Care Provision						
24/25-RBE-06	Public Health (BLACHIR Report)						
24/25-RBE-07	Contract & Supplier Management						
24/25-RBE-08	IT Project Management						
24/25-RBE-11	Private Landlord Licensing						
24/25-RBE-12	Building Safety (Housing)						
24/25-RBE-13	Major Repairs and Refurbishment						
24/25-RBE-14	Housing Safety Compliance						
24/25-RBE-15	Tenancy Management						
24/25-RBE-18	Damp & Mould Response						

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Ref	Title	Assigned	Planning	Fieldwork	Reporting	A&RC 18 March	A&RC Jun/Jul 25
24/25-RBE-21	Capital Asset Management						
24/25-RBE-23	Short Breaks & Respite Care						
24/25-RBE-24	Digital Inclusion in Adult Social Care						
24/25-RBE-26	Special Educational Needs & Healthcare Plans						
24/25-RBE-27	Starters & Leavers						
24/25-RBE-29	IT Support						
24/25-RBE-33	Enterprise Risk Management						
24/25-RBE-34	Workforce Health & Safety						

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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 table below shows the current 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. These numbers also do include actions raised by TIAA with respect to Lewisham Homes that were inherited by the Council in October 2023, but excludes actions raised relating to schools audits.

Type	High	Med	Total
Open actions on 1 April 2024	17	34	51
Actions raised since 1 April 2024	2	12	14
Actions completed to 1 December (on time)	3	13	16
Actions completed to 1 December (late)	15	27	42
Actions currently overdue	1	4	5
Actions currently not due	0	2	2

- 6.2. Performance in completing actions has improved substantially over the past three years. Looking at actions raised between April 2018 and March 2020, almost 60% were still outstanding six months after the agreed completion date. Nearly half (46%) remained outstanding after a further six months.
- 6.3. Of actions raised since April 2022, less than a fifth (19%) remained outstanding six months after the agreed completion date and almost none (1.5%) were left open after a further six months.
- 6.4. There remain occasional challenging actions, including the one high rated action outstanding today. This relates to an examination of resourcing support within the Housing Repairs service. That work is ongoing, and planned to complete in January. But a renewed focus starting with good quality, practical actions along with scrutiny on implementation at Directorate and Member level (via this Committee) has made significant progress in ensuring the remedial actions identified in audit reports see effective resolution.

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 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 author and contact

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

16. Appendices

16.1. Appendix A – Internal Audit Charter 2024