

MINUTES OF THE AUDIT PANEL

Wednesday, 19 November 2014 at 7.00 pm

PRESENT: Councillors Helen Klier (Chair), Chris Barnham, Simon Hooks, Mark Ingleby, Jim Mallory, Jonathan Slater, Dale, King and Robinson

16. Minutes

Councillor Hooks claimed to have submitted his apologies for the meeting.

RESOLVED that the Minutes of the meeting of the Panel held on 11 September 2014, which was open to the press and public, be confirmed and signed as a true record of the proceedings, subject to Councillor Hooks apologies being recorded.

17. Declarations Of Interests

None received.

18. Annual Audit Letter 2013/14

The report was introduced by Darren Wells. Panel members were informed that the report was a summary of what was presented to them at their last meeting, plus changes agreed at the meeting.

Richard King said he was surprised to note that the reconciliations issues he had raised in previous years had not been addressed, and implementation had been scheduled for April 2015. He added that last year the Panel was assured that this issue would be addressed, and he found it unacceptable that it had not been done. The Head of Financial Services said that he understood why Mr King was concerned. He added that the Council carry out reconciliations on a range of different accounts processes. The Head of Financial Services said he was working very closely with his team to ensure a robust system was put in place to address this issue. He assured members that a proper process would be in place before April 2015.

Mr King said this was a historic problem that had not been addressed despite various assurances given in the past. He added that reconciliations was fundamental to effective financial processes. The Head of Corporate Resources said that this issue would be reviewed as part of the internal audit plan before April 2015. Councillor Mallory was told this was not related to terminating the internal audit contract.

Mike Robinson said this should have been part of the routine work, and was crucial to good financial practices. The Chair stated that the Head of Financial Services had now given the panel assurance that this work would be done before April 2015, and Panel members would expect the work to be done.

Action >>>> Head of Financial Services

RESOLVED that the Annual Audit Letter 2013/14 be noted.

19. Budget Monitoring Financial Forecasts 2014-15

The Head of Financial Services introduced the report, and informed members the report had already been to the Public Accounts Select Committee and Mayor and Cabinet. He said that the Treasury mid-year review had been added as an appendix to the report for completion. The Head of Financial Services highlighted that the Council was projecting an overspend of £10.6m which was a significant amount. Panel members were told that the biggest spending was on Children Social Care and Adult Social Care. Panel Members were also told there was an on-going restructuring of the organisation which would have a significant impact on services.

The Head of Financial Services said a Corporate Expenditure Panel (CEP), had been established, which included the Chief Executive and the Executive Director for Resources and Regeneration. This was in place to act as another layer of scrutiny for proposed spending throughout the council. This was to ensure that budget holders were aware of the Council's position, and were doing their best to reduce spending.

Councillor Slater asked whether the Council could lobby central government for additional funding. The Head of Financial Services said that Lewisham and other local authorities have been lobbying central government since the savings drive started, this was on-going but, whether anything would come of it was yet to be seen. Councillor Slater also asked if the CEP only look at discretionary spending and not statutory spending, and was told they look at both. The Head of Financial Services said that officers would not change any policy, nor make any decision that would result in the Council being in breach of its statutory obligations.

Councillor Slater said he hoped recruitment monitoring would start with consultants. The Head of Financial Services said that in the past reports on recruitment of consultants had been brought to the Audit Panel, the numbers have since been reduced, but sometimes a very good case would be made.

Councillor Barnham said that the presentation they had at the Public Accounts Select Committee meeting on the Financial Forecast was very good and useful. He said he was surprised that only 21% of the CYP Budget had been spent to date, and asked if this was normal compared to other boroughs. The Head of Corporate Resources said that this was normal given this report was to the end of September and spending would usually be most significant over the Summer holidays with invoices coming through in late September and October. Paul Dale said this was the same for all local authorities. Councillor Slater asked if the presentation could be sent to Audit Panel members who are not members of PASC.

Action >>>> Head of Financial Services

Councillor Barnham said the Council seem to have a higher percentage in the Money Markets compared to the benchmark. The Head of Corporate Resources said the Council's priority is security, then liquidity, and then return. As a consequence it tends to invest in safer investments and avoids high risk and high returns. He added that officers were now looking at continuing with low risks investments but extending the investment term to take advantage of the better returns for longer (but no more than a year).

Paul Dale asked if allowance had been made for the £10m overspend within the £40m cuts to be made for 2015/16. It was noted that this money would have to be found in addition to the £40m. Paul Dale asked what other options were being considered if the savings can't be made, and was told the general funds reserves, may have to be used. 2015/16 would be a critical year for eliminating the overspend.

The Head of Financial Services said officers were looking at the underspend within Public Health to see how this money could be utilised in other areas that affect health. Councillor Mallory asked why CEP had not been put in place earlier given the amount of savings the council has to make. The Head of Financial Services said after it became apparent that projected spending was of a different order to normal, measures were immediately put in place to strengthen spending control. Given that the Council operates a process of delegated responsibility, the CEP was Considered a last resort. Councillor Mallory asked whether the CEP would continue to scrutinise spending proposals for at least another eighteen months, as he thought this would help with the savings drive. The Head of Financial Services said he does not think it would be abolished soon.

Mr Dale said that local authorities would need to come to terms with the fact that resources would continue to be reduced in future. Councillor Slater said that the council have to think smarter, therefore officers would need to think out of the box if the necessary services were to be delivered. The Head of Financial Services said that transformation was very important in the current climate. He said that this important message had been passed on from senior officers, and a lot of work was being done on income generation.

The Chair asked whether the Head of Financial Services had looked through the budget to see if they were appropriate for the individual departments. The Head of Financial Services said that he had discussed it with the departmental officers but had not gone through everything. He added that the information had been shared with the appropriate Cabinet Members as part of the activity of the Futures Board. He said although this had not been done as a single exercise, it had been done Departmentally.

RESOLVED that:

- i. the financial forecasts for the year ended March 2015, and action being taken by the Executive Directors to manage the forecasted year-end overspend be noted.

- ii. the recommendations contained in the mid-year treasury strategy, attached as an appendix to the report be noted.

20. Internal Audit Update

The Head of Corporate Resources introduced the report. He said the audit work was underway to be completed by June 2015. He said that he was pleased to report managers were now giving the audit recommendations attention and to date over 90% of the recommendations had already being completed or were in the process of being completed. The Head of Corporate Resources said that the Council has contracted the London Borough of Greenwich to deliver the schools audit plan, and was in the process of finalising the contracting of the main non-schools internal audit work through the London Boroughs of Croydon and Islington frameworks with Mazaars and PwC respectively. The Panel was informed that the new Head of Information Technology was present at the meeting to update members on developments.

The Head of Information Technology told members that he was appointed approximately 2 months ago and was aware that some of the issues raised in the past were connected to remote access and Wi-Fi connections. The Chair said that Council members also had issues around security and direct access from their workplace.

The Chair asked if these problems were because of lack of adequate resources. The Panel was informed that there had been 25% staff reduction, and savings had been made on big contracts. The Head of IT said some of the savings had been invested in building capability within the workforce. He said that in the past the authority had been reliant on Capita to provide the necessary services, but the Council now felt it would need to manage some of its projects. Mr Robinson asked why there was a delay in addressing the audit recommendations for IT. The Head of IT said that officers were taking steps to get into grips with the projects and program that would enable them to deliver the recommendations. He added that the IT strategy can't be drawn up until adequate capability was in place.

The Head of IT said that it was important that the Council put in place a business continuity and disaster recovery plan. The ICT Client and Policy Manager said that the timetable for addressing the recommendations was put back in order to be PSN compliant, which included a continuity and disaster recovery plan. Mr Robinson asked whether there was an IT Strategy in place, and was told there was not. Mr Robinson said if there was not one in place then the projects that have been prioritised might not fit in with a new IT Strategy which could be a waste of time and resources. The Head of IT said there were some urgent things that needed to be done, before the IT Strategy was completed, e.g. the continuity and disaster recovery plan, and the Head of Strategy would be leading on the IT Strategy work.

Councillor Slater said that as the IT Strategy was not in place it would be worthwhile to see if outsourcing the IT Contract would deliver value for money. The Head of IT stated that everything was been looked at to get best value for money.

RESOLVED that the report be noted.

21. Anti-Fraud & Corruption Update

The Head of Corporate Resources introduced the report. He said that Housing work was going well as his team was working closely with local housing partners and had recovered a good number of properties from fraudulent tenants. He added that Bed and Breakfast and temporary accommodation are a risk area for the Council. The Head of Corporate Resources said that the two officers in the Benefit Investigation section were to be transferred to the Department for Works and Pension in April 2015, therefore they were now looking at short-term cases that would not lead to prosecution, and be completed before the move.

The Head of Corporate Resources said that procurement fraud is the second largest risk area nationally and, working with the Home Office through the lens of its connection to organised crime, Lewisham has put itself forward to do a pilot on procurement fraud. It was not certain whether the Council would get funding, but it would be good to be one of the first Councils to do this work in respect of housing applications. Councillor Barnham said he was shocked to note that 67 out of 289 applications were fraudulent, he asked if this figure was normal. The Head of Corporate Resources said the counter fraud team has a risk based programme of work. Councillor Mallory said it might be beneficial if the forms included a warning that fraudsters would be expected to pay back any money they had claimed fraudulently. The Head of Corporate Resources said that this could come with its own difficulties, but officers were always looking at ways to deter fraudsters.

RESOLVED that the report be noted.

Meeting ended 8:50pm

Chair