

# MINUTES OF THE AUDIT PANEL

Tuesday, 6 December 2016 at 7.00 pm

PRESENT: Councillors Jonathan Slater (Chair), Helen Klier (Vice-Chair), Bill Brown, Mark Ingleby, Joyce Jacca, and Paul Dale, Ian Pleace and Stephen Warren

Apologies for absence were received from Councillor Chris Barnham

## 16. Minutes

### Minutes 12 – External Audit Reports on 2015/16 Accounts

The Head of Corporate Resources informed Panel Members that Heads of Services have been advised of the new systems that would be put in place in the New Year

### Minutes 13 – External Auditor's Reports on 2015/16 Accounts – LBL Response to Grant Thornton's Findings

The Head of Financial Services informed Panel members that 3 new administrators had been appointed. Officers would continue to look at alternative ways of recruiting additional resources through the Apprenticeship and Graduate Trainee schemes. He said a written update would be circulated to the Panel before the Christmas break.

### **Action >>>>> Head of Financial Services**

### Minutes 14 – Internal Audit Update

The Head of Corporate Resources informed the Panel that the number of overdue recommendations have been reduced significantly, and on that basis he had not brought in the Manager responsible for Community Service Care, as requested at the last meeting. The Head of Corporate Resources said he was not clear whether he could use his discretion based on developments once a request had been made by Panel Members.

The Chair said Panel Members expected officers to flag up issues of concern for the Panel to decide whether a request would be made to summon the officer to explain to the Panel why the recommendations were not being addressed. Councillor Brown said it was important that when a request had been made by Panel Members it should be carried out, if for any reason a change occurred, Panel Members should be informed before the meeting.

Mr Pleace said it would be helpful if Segregation of Duties become a standing item on the agenda as this issue was of great importance. This was agreed by the Panel.

### **Action >>>>> Head of Financial Resources/ Clerk to the Panel**

RESOLVED that the minutes of the meeting held on 13 September 2016 that was open to the press and public, be confirmed as an accurate record subject to the following amendments:

Minutes 12, paragraph 14 second sentence to read:

“ He stated that the Pension fund was on track with a 10% increase in value , with 72% of funding liability”.

Minutes 14, paragraph 2 second sentence to read:

“He added that there were a number of examples in the public health sector and an example from the NHS was attached to the report”.

#### **17. Declarations of Interests**

None received.

#### **18. External Audit Letter 2015/16**

Geoffrey Bannister, Audit Manager, Grant Thornton introduced the report. He highlighted that the Council had been issued unqualified opinion for both the Council's Accounts and Pension fund. He added that the Housing Benefit subsidy claim findings would be reported to the next Audit Panel meeting.

Ian Pleace asked if lessons had been learnt from past experience, and would officers now ensure the valuation of property, plant and equipment be kept current. The Head of Financial Services said additional controls have been put in place and the quality checks had increased to get things right. He added that with additional capacity, by next year these issues would be fully addressed.

Paul Dale said with the number of staff being made redundant controls would be affected. He stated that managers would need to look at duties of staff who had left and put in place segregation of duties.

Councillor Ingleby asked if Grant Thornton would give members some advice on investments for the future with the ongoing savings programme. The Audit Manager, Grant Thornton said he would speak to his colleagues to send some investment information to Panel Members.

#### **Action >>>>> Grant Thornton**

Councillor Ingleby asked officers what plans they had put in place to ensure they meet the new closedown arrangements, since the dry run was not successful. Stephen Warren said it would be very important for Panel Members to consider a report containing the plans for the closedown arrangements so weaknesses could be identified and addressed. The Head of Financial Services said the close of accounts occurred earlier this year than in previous years. He said officers were looking to do things differently to improve the process.

#### **Action >>>>> Head of Financial Services**

The Audit Manager, Grant Thornton said some authorities were already doing the early closedown and Lewisham could learn from them. He added that it would be helpful if officers started doing early income takings to reduce the peak from debtors. Councillor Klier asked why the closedown was moved back to July and was told that central government had decided they need the information earlier to make better use of their accounts. The Audit Manager, Grant Thornton said the Public Health Sector's closedown was in May.

Councillor Ingleby commented that the value for money risks identified was a catch 22 situation. The Head of Corporate Resources said the situation was challenging as the Council continues to run business as usual, officers were finding it difficult to come up with transformational ideas. He said the Council was trying to deliver as many services as before, which put a lot of pressure on resources, and savings were not being delivered. He said officers were doing their best looking at different ways of delivering services. Paul Dale said this problem was being experienced by all London Local authorities, and was exacerbated by the Social Care Transformation.

RESOLVED that the Report be noted.

## **19. Internal Audit Update**

The Head of Corporate Resources introduced the report. He highlighted that as recommended by the Overview and Scrutiny Business Panel, the Annual Schools' Forum Report was being reported to the Audit Panel. This was because of their concerns about the deficits in the accounts of some secondary schools. The Audit Manager added that the audit work had progressed well this year.

Following a question from Paul Dale about the Council not being PCI DSS compliant, the Head of Corporate Resources said the Council operated a credit card system with the Royal Bank of Scotland. Mr Dale said the Council could be penalised for non compliance. Mr Pleace asked if this issue could be resolved easily and was told by the Head of Corporate Resources that it could easily be done with more focus and that security training and a review of practices would be done as soon as possible. Mr Pleace said this could incur a financial penalty.

Following a question from Councillor Ingleby the Head of Corporate Resources explained that the New Housing Act now provided Local Authorities the power to license accommodation below and above shops, as opposed to just above shops. The Audit Manager said audit officers were going to do some work around this but decided not to at this time because of work pressures. In the meantime Lewisham Homes would be dealing with this.

Councillor Ingleby also raised concerns about non-compliance in Procurement on the Schools Forum report. The Head of Corporate Resources said the report was last year's and officers have agreed with Schools Forum to continue to monitor this going forward. He added that in terms of the Council procurement work an update would be coming to the Panel in March 2017.

Stephen Warren said from experience not having digital copies of data was a real concern. He said although scanning documents could be time consuming it was important to have a record of information in the electronic system. The Head of Corporate Resources said the Council do have records and had started scanning documents into the electronic system, but discovered that some bits of information were missing, and also the system was not robust enough to do the work. This is a risk that would be considered as part of the internal audit planning for 2017/18

The Head of Financial Services said the Council was working towards being digital, but it would take some time. He added that the absence of some record was also making the work difficult.

The Chair asked officers how they intended to address the deficit in Sedgehill's budget and was told that finance officers were working closely with the Schools Forum to support the school deal with the problem. Also emphasis would be placed on training for schools finance staff to help them identify and address weaknesses earlier. The Head of Corporate Resources emphasised that internal audit recommendations should help schools put in place key controls which would give schools a clearer overview of their financial options and a clearer focus on key risks. He added that officers were redesigning the school audit report to help do this.

The Head of Financial Services said financial training programmes would be set up for staff and Governors to ensure improvement of skills. Bursars would be given support within the range of existing experiences. Mr Warren said the Executive Director should speak to the Headteacher, about support and additional full time resources for the school. Following a question from Panel Members it was noted that the School's Forum comprised of Headteachers, Governors, and other professionals. Mr Warren said he was glad of the wide representation.

Councillor Klier said she heard Forest Hill School had some financial problems too and was told by the Head of Financial Services that officers were aware of this and were engaging with schools with financial problems, and work was ongoing to address the licensed deficits/loans.

Resolved that the report was noted.

## **20. Anti-Fraud and Corruption Update**

The Head of Corporate Resources introduced the report. He asked Panel Members whether they would prefer to receive this update annually instead of at every meeting as there was not a lot to report. This was largely because of the reduction in activities following the move of Housing Benefits to the DWP. Panel Members agreed they would prefer to have the update annually.

Councillor Ingleby asked whether cases were slowing down, and was told that there was always pressure within Adult Social Care. Mr Pleace asked whether Grant Thornton could be asked to do a data analysis to look for fraudulent activities within the Council. The Head of Corporate Resources said this could be done by internal staff.

Councillor Brown said Grant Thornton could be asked to do this work as part of their current duties. It was noted that this work could be done when Grant Thornton are doing their audit plan. Officers responded that it could be useful as they could learn from it, but added that there might be some problem with data protection. It was also noted that the Council would be expected to pay for the additional service. The Head of Corporate Resources said this activity would be a specification of the Council's next financial system.

RESOLVED that the report be noted.

Meeting ended 8:10

Chair .....