

MINUTES OF THE AUDIT PANEL

Tuesday, 11 December 2018 at 7.00 pm

PRESENT: Councillors Alan Hall, Mark Ingleby, Paul Maslin, James Rathbone, Carole Murray, Ian Pleace and Stephen Warren

ALSO PRESENT:

Apologies for absence were received from Councillor Louise Krupski and Councillor Joan Millbank

27. Minutes

Mr Pleace reiterated that Oracle Cloud should be a standing item on the agenda. He said this was important as the system was still in a risky phase, and Panel Members needed regular updates as to how things were progressing. The Head of Financial Services said a report would be coming to the next Panel Meeting, and going forward a regular update would be provided.

Action>>>>> Head of Financial Services

Panel Members also asked whether they would receive an update on how officers would be addressing Grant Thornton's recommendation about a savings strategy. It was noted that this was part of the response on the budget report due in March.

Action>>>>> Chief Financial Officer

RESOLVED that the minutes of the meeting held on 20 September 2018 be agreed as a correct record subject to minutes 23 first line of the last paragraph to be amended to " It was noted that an action plan that included management's response and assurance to address issues was yet to be completed".

28. Declarations of Interests

Councillor Ingleby declared a non-pecuniary personal interest in item 4 as a Board Member of Lewisham Homes.

29. External Audit Letter 2017/18 - Withdrawn

This item was deferred to the next meeting as the External Audit Letter was yet to be finalised. The Chair tabled an email from the External Auditors explaining the situation.

30. Catford Regeneration Partnership Ltd - 2017/18 Internal Audit Review Update

The SGM Capital Programmes introduced the report, and informed Panel Members that the Catford Regeneration Partnership Limited (CRPL) received an overall limited assurance. It was noted that although this rating was negative, it was better than no-assurance. Panel Members noted that serious control issues were raised in the recommendations.

The Audit Panel noted specific areas that were identified for improvement. The Chair asked who was on the Programme Board, and what their responsibilities were. It was noted that officers were on the Programme Board and they were responsible for the overall Catford Regeneration, whilst CRPL was only set up for development of the Catford Shopping Centre.

The Chair said he was concerned that there was no documented financial regulations for CRPL, and was told that the company had inherited those of the Council. It was noted that although there were no written procedures, they had now been done. The Chair asked for these to be circulated to Panel Members.

Action >>>>> Head of Financial Services

Panel Members were informed that the recommendation on Directorship had been brought to light by the Overview and Scrutiny Business Panel, and agreed by Council some time ago. The Head of Law said unfortunately there had not been a Constitution Working Party (CWP) meeting that year to action Council's recommendation. She said the CWP only met for the first time after the Council's decision two weeks ago but the agenda was tight, and they were looking at a fundamental part of the constitution. The Chair said the CWP could have met earlier, but did not.

The Head of Law said the Council was currently having a democracy review, and as there had not been any further consideration of the constitution since the last administration it was likely that the whole constitution would be reviewed. The Chair said he was not convinced this would be addressed, as there had not been any mention of previous referrals on this issue. The Head of Law responded that it would be on the agenda of the next CWP meeting. The Head of Law added that she had previously circulated the rationale for the 2 Directors, but she was happy to do a report for the next CWP meeting.

Action >>>>> Head of Law

The Chair commented that he was very concerned about this issue as a senior officer could be the one making a very important decision, if a third person is not appointed. He said conflicts of interest should be avoided. The Chair said the Panel had suggested that a Memorandum of Understanding would be useful for the Partnership, and it was yet to be done. He asked if there was a mechanism to charge for officers time, and was told the Council charges CRPL for officers time.

The Chair asked whether a risk analysis had been done on the debt of the company. It was noted that the Company's income was £15m approximately and its liability was £12m. The Head of Financial Services said he was aware that there was a risk around income, but the number of properties would bring proper income stream. Stephen Warren asked whether officers had done a scenario

analysis, especially if there was a no deal Brexit. The Chief Financial Officer said they were looking at long term investments, whereas Brexit was short-term.

Ian Pleace asked officers to send Panel members the Company's accounts. He stated that the company was a separate entity and operated in a smaller volume than the Council as a whole. He said if officers were just relying on Council's regulations they would be missing some nuances. The Head of Financial Services said the company operates differently. Mr Pleace said it was not appropriate for the Council's financial regulations to be adopted. The Head of Financial Services said they have done one for the company.

Action >>>>> Head of Financial Services

The Chair said he has some concerns and would like an independent investigation done on the activities of the company. Councillor Ingleby suggested that the Public Accounts Select Committee look into the operation of the company. The Head of Law said that this investigation was beyond the specific Terms of Reference of the Audit Panel.

Councillor Rathbone said he firmly agreed with the Vice Chair, Councillor Ingleby that this matter should be referred to the Public Accounts Select Committee, to save Panel Members a lot of time discussing an item which was beyond the remit of the Audit Panel. It was agreed that the Audit Panel would recommend that the Public Accounts Select Committee look into the operation of the Catford Regeneration Partnership Limited.

RESOLVED that

- i. the report be noted.
- ii. the Public Accounts Select Committee be requested to look into the operation of the Catford Regeneration Partnership Limited.

31. Constitutional Review

The Head of Law introduced the report. She highlighted the Audit Panel's Terms of Reference. The Head of Law informed Panel Members that there was a Democracy Review underway and it was currently out for consultation. She said following the consultation proposals there might be another amendment to the constitution.

The Chair said he had requested this item because he thought it would be useful for Panel Members to be able to discuss their Terms of Reference. He said he was the Chair of the Constitutional Working Party when the Audit Panel was established and it was drawn in accordance with CIPFA guidance. The Chair said it would be good to see if the Terms of Reference were still functional as they had not changed since the Audit Panel was established.

The Head of Law said there was going to be a Democracy Review and the constitution will be looked at. She said it would be good if Panel Members await the outcome of the review, and if Panel Members have a view about their Terms of Reference they could respond to the Democracy Review Consultation. The Chair

said as members of the Audit Panel they should be able to look at their own Terms of Reference.

The Head of Law stated that the outcome of the Democracy Review would be submitted to Council in February, which was not long now. She said the consultation was open to the Audit Panel and all Committees to make recommendations to Council but not to decide their own Terms of Reference. The Chair said that Panel Members could look at their Terms of Reference and see if they need to change anything.

Mr Warren commented that it would be helpful for Panel Members to be able to see the audit procedure rules referred to in the constitution, and the most up to date guidance relevant to this panel that would help Panel Members with their deliberations. Councillor Rathbone stated that this might be a bit premature, and that until the contents of the Democracy Review report is out it was unhelpful for Panel Members to have discussions on their Terms of Reference. He said there might be new structures and systems included in the recommendations following the consultation.

The Head of Law informed Panel Members that the Review was in 2 stages, firstly to get an agreement on the overall shape of the Council, and then to draft rules and the constitution to govern the proposed structure. Mr Warren asked if a formal request would be needed to input into the consultation, and was told by the Head of Law that the consultation was already out and open to the public via the Lewisham website.

The Chair said it was good practice to review the Panel's Terms of Reference, to determine what had changed, and also to check whether the financial regulations reflect the current practice. Mr Warren said looking at the existing constitution Panel Members could say they had discharged a, b, & c of their responsibilities with the help of officers and the audit procedures. He said any thoughts on the specifications of Panel Members existing responsibilities could be put forward through the Democracy Review consultation.

RESOLVED that the report be noted.

32. Internal Audit Update

The Chair asked whether there had been follow ups on the corporate audits that had limited assurance, as Panel Members needed assurance they had been addressed. The Audit Manager stated that officers had followed up on the recommendations, and most of them were either implemented or were in progress. She said officers hoped to bring school recommendations back in- house, depending on availability of resources. The Audit Manager said the actions tracking system was not user friendly but officers hoped to put a new process in place soon. The Chair asked how soon, and was told no later than the new financial year.

Carole Murray said officers were a bit behind with the audit, and asked whether they would be using contractors to complete the work, and, if so, is the budget available to do this. The Chief Financial Officer said that resources had been

made available as the work need to be completed by June. The Audit Manager said officers want to start afresh to ensure they are on time next year. Ms Murray asked if they were still short staffed, and was told a new structure was in place to support the service.

Panel Members asked whether the ICO was notified about the 11 individuals in receipt of social services direct payment, whose names were published. The Head of Law said officers have a duty to report all breaches, and the Chief Financial Officer responded that officers should have reported the breach to the ICO, but he would check to ensure it had been done.

Action >>>>> Chief Financial Officer

Councillor Ingleby asked if there had been any update on Adult Social Care and Health Visiting as they both had limited assurance. The Audit Manager said officers were reporting on the recommendations, and at the end of the year a comprehensive report would be done for the Panel.

The Panel noted the whistle blowing policy, tabled by the Chair had been reviewed by the Standards Committee and was up to date.

RESOLVED that the report be noted.

Meeting ended: 8:40pm

Chair.....