

# LONDON BOROUGH OF LEWISHAM

## Minutes

MINUTES of a meeting of the AUDIT PANEL, which was open to the press and public, held on THURSDAY 11 SEPTEMBER 2014 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7:00p.m.

### **Present**

Councillor Klier (Chair), Councillor Slater (Vice Chair), Councillors Barnham, Ingleby and Mallory.

Apologies were received from Richard King and Mike Robinson.

### Independent Member

Paul Dale

### External Audit

Jamie Bewick

Darren Wells

Manager Public Sector Assurance, Grant Thornton

Director, Grant Thornton

### Officers

David Austin

Selwyn Thompson

Terry Madgett

Julie Hetherington

Head of Corporate Resources

Head of Financial Services

Principal Accountant

Internal Audit Contract Manager

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1. MINUTES

- 1.1 Councillor Slater commented that he recalled a decision was made to invite the Head of IT to this meeting to explain to Panel Members why the Auditor's recommendations had not been completed. The Head of Corporate Resources said a new Head of IT had been appointed to the position and it would not have been practical to invite him to this meeting. He added that he would be present at the next Audit Panel meeting.

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RESOLVED that the Minutes of the meeting of the Panel held on 24 June 2014, which was open to the press and public, be confirmed and signed as a true record of the proceedings.

2. DECLARATIONS OF INTERESTS

- 2.1 Paul Dale declared a non pecuniary interest for Item 5 as a private consultant.

3. EXTERNAL AUDIT REPORTS ON 2013/14 ACCOUNTS

- 3.1 The report was introduced by the Head of Financial Services and Jamie Bewick.

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Panel members were informed that it had been a challenging year for officers leading up to the close of the accounts process, largely because of the finance department's re-organisation and the introduction of the Oracle system. It was noted that there were some issues and discussion over valuations, and timings around valuations.

- 3.2 Members were told that there had been agreement between officers and external auditors as to what needed to be put in place going forward. The Head of Financial Services said the accounts were completed a week earlier than the previous year, and would be going to Council on 17 September 2014.
- 3.3 Darren Wells gave an overview of three reports within the accounts, which included the audit findings for Lewisham, the audit findings for Lewisham's Pension Fund and a report on value for money for Lewisham.
- 3.4 Councillor Slater said £18.8m was a large amount of money to make an error with. Jamie Bewick said this was because of late information provided by the District Valuer, and was less than 1% of the property plant and equipment budget, which related specifically to Prendergast school. The Head of Financial Services said he was aware that it was a large amount, but officers relied on the District Valuer to give correct valuations. On this occasion he came back with different sets of figures.
- 3.5 Following a question from Councillor Ingleby, it was confirmed that the new programme should support the audit function significantly better. Panel Members noted that over 80% of the valuation had been done this year, and this process would be used each year.
- 3.6 Councillor Mallory asked what the original valuation figure was before the amendment of £161m. Jamie Bewick stated that the year had not been normal as CIPFA qualified accounting rates were received later, and there had been a significant rise in the London property market. He added that it was £161m less than the current rate of £886m.
- 3.7 Councillor Barnham asked for an explanation of the difference between red and amber coded risks. Following the explanation from officers, he asked Darren Wells whether he was satisfied that the right steps had been taken by officers to address risks that have been highlighted. It was noted that this was the case. The Chair received confirmation that the discrepancy relating to Drumbeat school was because of human error.
- Pension Fund
- 3.8 Darren Wells introduced the Pension Fund report. He said their audit did not identify any adjustments affecting the Fund's reported financial position. He added that a small number of adjustments had been proposed to improve the presentation of the financial statements. Panel members were told the quality of the financial statements were of a good standard, and working papers were provided to auditors at the start of the audit.

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- 3.9 The Chair asked what the Council's contribution to the Pension Fund was and was told £1m a year, which was in line with the actuary valuation. Panel members were informed that a Pension Board would be set up from 1 April 2015 in accordance with Statutory Regulations.
- 3.10 Darren Wells brought to the Panel's attention the importance of their approval of the Letter of Representation, which was tabled at the meeting. The Chair read and approved its contents.
- 3.11 Value for Money Report  
Jamie Bewick introduced the report. Panel members noted that Grant Thornton carried out an initial risk assessment and planned to carry out work in the following areas to address the risks identified.
- review key financial performance indicators for 2013/14.
  - review and comment on Lewisham's medium term financial projections.
  - review Lewisham's performance against its savings targets and comments on its identification of savings 2014/15 and beyond.
  - consider the work of the Lewisham Futures Board in seeking to ensure a sustainable future for the Council's services.
  - consider the management of staffing reductions in the finance function.
  - Comment on Lewisham's partnership working in seeking to maximise the benefits of the Better Care Fund.
- 3.12 Panel Members were told that based on the review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, Grant Thornton prosed to give the Council an unqualified VFM conclusion.
- 3.13 Councillor Mallory asked if Lewisham's VFM conclusion was similar to other London Boroughs. Jamie Bewick said that from what he knew of other London Boroughs the situation was not dissimilar.
- 3.14 Councillor Barnham expressed concern over the sickness record within the workforce. The Head of Corporate Resources said that Lewisham's rates were not high, and within the average. In response to a concern raised about the cost of temporary staff, the Head of Corporate Resources informed members that the figures had gone up because of the challenges of maintaining permanent staff for schools. He added that officers had worked very hard to keep the numbers down following Audit Panel concerns two years ago. Panel members were told that a report on employment strategy would be going to the Safer Stronger Communities Select Committee.
- 3.15 Councillor Ingleby stated that it had been brought to members attention that there had been some issues with Oracle, and the Council had not been settling its accounts because of a systems shut down. He added that small businesses cannot afford not to be paid on time. The Head of Financial Services said that this was a planned

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shutdown to ensure a smooth transition from Oracle 11 to Oracle 12, and it took place over a 3 week period.

3.16 Councillor Slater said he had complaints from external consultants, and had noted that up to 300 invoices were outstanding. In response the Head of Financial Services said he was aware that there were a backlog of invoices to be paid, but before the shutdown payments were up to date. Councillor Slater said officers should be aware that backlog would now build up and they would need to address the problem effectively. The Head of Corporate Resources said the Council was now in a good position to improve payment purchases, and the systems were unavoidably down for less than 20 days. Councillor Slater said he did not think the situation was acceptable for small businesses.

3.17 The Chair raised concerns over the amber ratings given to the Council on Financial Control for savings projected for the following year, and for Improving Efficiency & Productivity, which related to Adult Social Care. The Chair said it was important to address these issues and asked the external auditors what other authorities were doing to address similar issues. Daren Wells said that some authorities were looking at the use of shared services, and shared services arrangements which would generally lead to savings. He added that although it would take a lot of effort to put this in place the LGA had reported £350m worth of savings achieved through shared services. The Chair asked if this could be looked into, and officers said they had considered this, and it would be investigated further.

RESOLVED that the External Auditors reports for the Council's Main Accounts and the Lewisham Pension Fund Accounts 2013/14 be noted.

#### 4. EXTERNAL AUDITOR'S REPORT ON 2013/14 ACCOUNTS

The Principal Accountant introduced the officer report.

RESOLVED

- i. that the reports be noted.
- ii. that the comments from the Panel for Council be finalised by the Chair.

#### 5. INTERNAL AUDIT UPDATE

5.1 The Head of Corporate Resources introduced the report. Panel members noted that the Council's Internal Audit was going through a restructure following the end of the internal audit contract in June 2014. It was noted that arrangements were being put in place to ensure that the core audits, school audits and IT audits were completed on time. The Head of Corporate Resources highlighted the status of the completed audit plan and informed Panel Members that there had not been any significant outcomes different to those reported in the annual assurance report.

5.2 The Head of Corporate Resources informed Panel members that following discussion at the Control Board the internal audit plan year-end has now changed

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from March to June for 2014/15. The Head of Corporate Resources said that this would align with the annual reporting cycle that ends in June each year. Panel Members were told officers would not have to do this work during their most busy time, and arrangements have been agreed with the external auditors.

- 5.3 Panel members noted that the Council was currently in talks with Greenwich Council to assist with the Lewisham School's audits. It was noted that officers could now access the Croydon framework which is a partnership with the professional services firm Mazars, and the Islington framework with Price Waterhouse Coopers.
- 5.4 Councillor Mallory asked what extra resources had been provided to support officers following the close of Baker Tilly's contract. The Head of Corporate Resources said although some staff had the right to stay with the Council under Tupe, they requested not to exercise those rights. Councillor Mallory asked whether the proposed contract would cost more, and was told the service budget is slightly less than the previous contract. Councillor Mallory also asked if this meant that the Council was behind on its audit plan. The Head of Corporate Resources said that the 16 core financial audits including the key risks areas such as projects and contract management and IT, and schools, have been given priority and arrangements have been put in place to complete them for 2014/15.
- 5.5 Councillor Barnham asked when the restructuring would be completed and was told in three years the key staff for the new structure would have been recruited. Panel members were told that there would be three new Trainee Accountants who were being appointed, 1 each year. The Head of Corporate Resources said that officers would update the Audit Charter by March. Following a question from the Chair, the Head of Corporate Resources clarified the Internal Audit structure. The Chair thanked officers for the report, stating that panel members were now well informed about internal arrangements.

RESOLVED that the report be noted.

## 6. ANTI-FRAUD AND CORRUPTION UPDATE

- 6.1 The Head of Corporate Resources introduced the report, and said the Anti-Fraud and Corruption had been informed that the responsibility for the investigation of benefit fraud will move to the Single Fraud Investigation Service from 1 April 2015. He added that two of the team members would likely be transferred to the Department of Works and Pensions. He said officers have been working very hard to clear their current workload.
- 6.2 Councillor Ingleby congratulated officers for recovering properties connected with 15 cases, and potentially saving up to £270,000 of public funds. The Chair said she was impressed with the collection of 97% of council tax and commended officer for their hard work.

RESOLVED that the report be noted.

Meeting ended 8:45pm

Chair