

Public Accounts Select Committee		
Report Title	Report on the work of the Audit Panel	
Key Decision	No	Item No. 7
Ward	None	
Contributors	Head of Financial Services and Head of Corporate Resources	
Class	Part 1	Date: 16 March 2016

1. Purpose of the Report

- 1.1. The purpose of this report is to update the members of the Public Accounts Select Committee (PASC) on the work of the Audit Panel at their March, June, September and December 2015 meetings.

2. Recommendations

- 2.1. It is recommended that the PASC note the contents of this report.

3. Background

- 3.1. Under the Terms of Reference (ToR) in the Council's Constitution as at September 2015, the Audit Panel is required to report to the Public Accounts Select Committee (PASC) where appropriate.
- 3.2. Audit Panel review and advise the Council on the Internal Audit function, Control Environment, External Audit and the Council's final accounts, Risk and Anti-fraud policies and procedures. The Audit Panel is also required to review the Council's Constitution in respect of audit procedure rules, contract procedure rules, and financial regulations.
- 3.3. PASC are required to scrutinise the effectiveness of the Audit Panel.
- 3.4. The link below takes you to the Council's constitution, which contains the Terms of reference for both Audit Panel and PASC.
<http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/Documents/Constitution%20June%202015%20MASTER%2008%2009%2015.pdf>
- 3.5. Since May 2015, the Audit Panel consists of six non-executive councillors, one of whom is the Chair (currently Councillor Helen Klier), and two independent members (although it can contain up to four independent members).

4. External Audit and the Council's Final Accounts

- 4.1. The final accounts and external audit work follow a regular cycle throughout the year. This covers accounts planning and interim audit work in the early Spring,

preparation of the draft final accounts in late Spring, final accounts audit work in the Summer, final audit findings, recommendations and opinion in the Autumn, and the Whole of Government Accounts certification and grants certification work in the Winter.

- 4.2. The following paragraphs briefly outline the reports and findings reported to each Audit Panel meeting in the year. The Council's appointed external auditors are Grant Thornton.

March 2015

- 4.3. At this meeting two reports were received, one gave an update on the final accounts planning and the interim external audit work and the other reported on the grant claims certification audit work. No significant issues were reported.

June 2015

- 4.4. The Panel received and noted the Pre-Audit Statement of Accounts (including the policies and notes). Questions concerning valuations, the finance asset register, general fund reserves, and the Pension Reserve were satisfactorily answered. The external audit plan report was also received and noted. The main issue discussed was the audit of the upgrade of the financial ledger.

September 2015

- 4.5. The Panel received the findings and key matters arising from Grant Thornton's audit work on the Main accounts and the Pension Fund accounts. Both sets of accounts were given an unqualified opinion and did not require adjustment. The key areas highlighted by the external auditors and agreed by officers were:
- on the final accounts, the accounting treatment relating to the de-recognition of schools needed to be shown as a prior year adjustment,
 - bank and payroll reconciliations were satisfactory but should be carried out on a monthly basis, and
 - that improvements had been made to the valuation of non-current assets process but could be further improved.

- 4.6. Accepting the above and noting the officers planned actions, the Panel noted the un-qualified opinions for both the financial statements and value for money work from Grant Thornton and thanked them for their work.

December 2015

- 4.7. The Panel received Grant Thornton's Annual Audit Letter which confirmed that unqualified opinions on the accounts and Value for Money conclusion had been issued. It also reported that the Council's submission for the HM Treasury Whole of Government Accounts was consistent with the final accounts, and that the grant claims audit work was largely complete.
- 4.8. The Chair of the Audit Panel met with the external auditors independently ahead of this meeting. No issues arising from this discussion required tabling at the subsequent meeting. In line with recognised good governance practice, these meetings will continue on an annual basis.

5. Internal Audit Service

March 2015

- 5.1. Members queried the delay in delivering the plan for the year and noted the reasons and actions being taken by officers to address this by June.
- 5.2. The Audit Panel reviewed the Internal Audit Charter for 2015/16 and suggested an executive summary would be useful to make the charter more accessible.
- 5.3. The Audit Panel approved officers proposal for the NHS Barts internal audit team to provide the required (at least every five years) statutory independent assessment against PSIAS. The results to be reported back in March 2016.

June 2015

- 5.4. The Audit Panel noted the progress to deliver the plan and that, with the exception of two audits, all reports were completed to at least to draft report stage.
- 5.5. The Audit Panel noted and discussed the Head of Corporate Resources annual assurance report and opinion on the adequacy and effectiveness of internal controls. The opinion was Satisfactory (the same as the previous year) and the direction of travel negative for the second year in a row. The opinion was qualified, noting that 2014/15 was a transitional year for the internal audit service and that the Council's risk profile had increased with the level of organisation, system and service changes.
- 5.6. Members noted the revised charter, amended to include the requested executive summary, and approved the risk based 2015/16 Internal Audit Plan. Asking that the plan return to being put to the March meeting in the future.

September 2015

- 5.7. The Panel noted the Internal Audit Update and the proposal that the nine recommendations not been agreed by management due to resource constraints return to the Internal Control Board (ICB) in November for a final decision on whether to implement them.
- 5.8. Members also noted with concern that the number of overdue recommendations was rising again and agreed to continue to monitor the situation closely and call officers in to explain delays if they continue.

December 2015

- 5.9. The Panel noted the progress with the plan (a further 11 reports issued since the last meeting) and that the ICB had agreed that all but one of the recommendations not agreed by management initially should be implemented, with the remaining recommendation being reviewed at the next annual review.
- 5.10. The Panel also noted that the restructure of the internal audit service is still being reviewed, with all options being looked at, and that the external assessment

against the PSIAS was now booked for early in the New Year with the results to be reported to the March meeting.

6. Counter Fraud Arrangements

- 6.1. At each meeting the Panel reviews and asks questions of the Head of Corporate Resources on the update report for investigations completed and in progress in the three key areas of special investigations (including employment matters), benefits, and housing. In addition they:

March 2015

- 6.2. Lewisham's Anti-Fraud arrangements were published in the report as required by the Local Government Transparency Code 2014.

- 6.3. The Panel were informed that Lewisham A-FACT had won four bids of funding from the DCLG Counter Fraud Fund. These were for work in the areas of no recourse to public funds, procurement, housing and training.

June 2015

- 6.4. The Panel discussed the implications of DWP taking on the investigation of benefits fraud following the transfer of this function to them from 1 April 2015. It was agreed this should be kept under review.

September 2015

- 6.5. The Panel discussed the strategy and were advised that officers are shifting their focus to get more coverage through proactive preventative work and doing less reactive work. This is to promote efficiency and maximise the potential impact to be had with the resources available.

- 6.6. The Panel noted that right-to-buy fraud continues to be a risk which supports the ongoing focus on housing fraud in all its forms in the counter fraud strategy.

December 2015

- 6.7. It was highlighted that the work being undertaken into Housing fraud was important due to the impact on temporary accommodation use.

- 6.8. The Panel commented on the fact that the number of employee frauds had increased, although which such low numbers small changes stand out but do not necessarily make a trend. It was also noted that two cases of fraud, supporting the No Recourse to Public Funds team, was helpful in terms of the strategy.

7. Financial Regulations and Contract Procedure Rules

- 7.1. The Head of Corporate Resources is responsible for maintaining the Finance Regulations, Scheme of Delegation, and Contract Procedure Rules. These were reviewed and updated in 2015 and submitted to the Constitution Working Party to be approved and onto full Council in January 2016 where they were adopted.

8. Statement of Internal Control (SIC) / Annual Governance Statement

- 8.1. The statement of internal control now forms part of the wider Annual Governance Statement (AGS) published each year as part of the Council's financial statements.
- 8.2. The draft AGS relating for 2014/15 was reviewed at the June Audit Panel meeting and agreed as final at the September meeting when the accounts were approved.
- 8.3. The AGS – in line with the external audit recommendation of the previous year – continues to be a short and concise summary of the key governance processes of the Council and three or four areas for continuous improvement.

9. Other Business

- 9.1. Looking forward the Audit Panel will continue to manage its work on a similar basis for 2016/17. In addition following changes in 2015/16, members have asked officers to undertake a recruitment exercise to bring in new independent members to the Panel. This is an important action that the Panel will return to at their next meeting in March 2016.

10. Legal Implications

- 10.1. There are no legal implications arising directly from this report.

11. Financial Implications

- 11.1. There are no financial implications arising directly from this report.

12. Equalities Implications

- 12.1. There are no Equalities implications arising directly from this report.

13. Crime and Disorder Implications

- 13.1. There are no crime and disorder implications arising directly from this report.

14. Environmental Implications

- 14.1. There are no legal implications arising directly from this report.

15. Background Papers

- 15.1. There are no background papers. If there are any queries on this report, please contact Selwyn Thompson, Head of Financial Services on 020 8314 6932 or David Austin, Head of Corporate Resources on 020 8314 9114.