

# MINUTES OF THE AUDIT PANEL

Tuesday, 20 March 2018 at 7.00 pm

PRESENT: Councillors Jonathan Slater Chair, Mark Ingleby, Maja Hilton, and Carole Murray, Ian Pleace and Stephen Warren

Apologies for absence were received from Councillor Susan Wise

## 6. Minutes

The Chair welcomed the new External Auditors from Grant Thornton; Andy Ayre, Paul Grady and Paul Jacklin.

RESOLVED that the minutes of the open meeting held on 14 September 2017 was agreed as a correct record.

## 7. Declarations of Interests

None received.

## 8. Update on 2017/18 Closing of Accounts and External Audits

Paul Grady, Engagement Lead, Grant Thornton introduced the External Audit Plan. He highlighted that there were no specific significant risk which should be of concern. Those listed under significant risk related to large balances, and these were usually down in every audit.

Responding to a question from Mr Pleace, Mr Grady explained that the External Audit Team had been replaced because of a standard rotation process to safeguard against familiarity. Mr Pleace asked if they believed changing the systems would be an execution risk, and was told any new system brings in a degree of risk and the mitigation would depend on the planning and preparation done by management to offset the risk.

In responding to a question from Councillor Ingleby, Mr Ayre explained levels 2 and 3 of the pension audit. Mr Ayre informed Panel Members that Place Analytic were the largest provider for external audit and their system was used as an information analytical tool. With huge database this enabled clients to analyse data and use the information for Councils locally. Mr Ayre said they provide the raw data and it was up to Councils how they use this information.

Councillor Hilton said she was concerned that the timeframe set to complete the audit was ambitious as was proven last year during the trial. Mr Grady responded that this sort of anxiety was expected especially with a new system but because of the amount of planning that had been done and the relationship between experienced officers the timetable could be achieved. He added that the External Audit Team have done similar work with other Councils and the NHS, and they would usually finish by mid May. The Head of Financial Services explained that over the last couple of years officers had closed early, and it could be done again.

Andy Ayre, Audit Manager, Grant Thornton introduced the Pension Fund Audit Plan and explained how levels 2 and 3 investments were valued and the risks associated with these two levels.

RESOLVED that the report be noted.

## **9. Grant Thornton's Certification of Work for LBL for Year Ended 31 March**

Mr Ayre introduced the report. Panel Members noted that it was a requirement for Grant Thornton to certify the Housing Benefit subsidy claim submitted by Lewisham Council. It was noted that the certification typically take place six to nine months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

Panel Members asked if the incident was similar to previous ones and were told that this was similar going back 3 years, and the situation had become complex because of the economy and zero hour contracts. Panel Members asked what was being done to address the error and were told that Housing Benefit officers were looking at quality control. The Audit Manager also stated that for 2018/19 the housing benefits team would be analysing the errors to see what controls could be put in place to address them. The Head of Financial Services said officers were also looking at putting in robotics to deal with these errors.

RESOLVED that the report be noted.

## **10. Risk Management Strategy**

The Head of Corporate Resources introduced the report and explained the reason for the report and the important changes that had been made.

Carole Murray asked whether there was a separate policy document, and was told it was just one document. Stephen Warren noted table 5 of the report that measured success and the objectives that measured success. He asked how officers assessed the completeness of the risk registers.

The Head of Corporate Resources said measurements did not take place, as the Internal Control Board review them. It was noted that Directors have to make the changes they want. He said the risks were published in the Management Report which goes to Mayor and Cabinet bimonthly. The Head of Corporate Resources said the report would state the action being taken and plans for the future. It was noted that the measures of success would not be formally recorded in the report.

In response to a question the Head of Corporate Resources said the activity was what was being measured. He acknowledged that the objectives in the report were not consistent and said officers would tidy up the report. The Head of Corporate Resources explained that examples had been given in the register as risk descriptors, and these rated highly on the risk register to encourage people to think broadly about the worst that could happen.

**Action >>>>> Head of Corporate Resources**

RESOLVED that the report be noted.

## 11. Internal Audit Update and Plan

The Head of Corporate Resources introduced the report which covered progress against the internal audit plans, annual audit plans for 2018/19, and progress of implementation of internal audit recommendations. He highlighted that officers were 4/5 weeks behind the intended point but the audit would be completed by June 2018.

The Audit Manager informed the Panel that the audit plan would change significantly next year as a new team would be in place, plus a new finance system, as officers wanted to ensure the finance system was right.

The Head of Financial Services informed Panel Members that officers were looking at rebasing the Oracle cloud program. He said the original plan was to go live in April 2018, but the plan now was that core Human Resources, Organogram Plan, ERP- Finance and Procurement would go live in May 2018. Payroll and the rest of Human Resources would probably be a soft go live in July 2018 with a plan to go live in October 2018. Panel Members were told this was mainly because data migration was causing a lot of problems.

Panel Members noted that there were a lot of things to put in place; key users training, user acceptance, and integration testing. Budget holders were receiving information to ensure they know what they need to do. The Head of Financial Services said they have a one week gap to test things, and this would prove very challenging.

Mr Pleace said he was confident the system would not go live in May, there was a lot of work to be done and by nature these things were problematic. He said one week to test things was unrealistic. Mr Pleace said he was concerned that Panel Members were not getting enough information on financial data. Stephen Warren said it should be the same information budget holders receive. The Head of Financial Services said if Panel Members needed additional reports officers were happy to provide these. He said data was important to this work, and the business readiness could be challenging. Mr Pleace said data and business readiness were key to the process.

Carole Murray said she could understand officers not being able to do more testing but she hoped they were adding value to the work, and maybe in the annual report officers could say how much audit hours had been involved.

Councillor Ingleby asked how much it cost to review the new school trading website, and officers said this figure could be added to the audit. Officers said they were not trying to audit management decisions but wanted to see how they got to their decision.

Councillor Ingleby asked whether the information on the types of controls and recommendations made was comprehensive, and was told the overall analysis would be done on the annual assurance report. Councillor Ingleby asked whether this report would be going to the Pension Board, it was noted that this was the case.

Mr Warren said he was concerned that as stated in paragraph 9.3 of the report managers were closing off recommendations as completed when they have not done the work. Officers responded that sometimes managers think they had done or completed the work, but when checked by the audit team, auditors realise the work was not completed, they then reopen it. Officers emphasised they were trying to ensure all work was completed. Mr Warren requested future reports to show high priority recommendations, this was agreed.

**Action >>>>> Head of Corporate Resources.**

Carole Murray asked whether officers thought schools had adequate support from their finance section to do their recommendations. The Head of Audit said the new management system would be available to schools and this would assist them in doing their recommendations. The Head of Corporate Resources told Panel Members that officers do follow up work which involved the school improvement team. He said there was a very good network of support for schools.

Carole Murray said she was disappointed with the information on the audit plan. She asked how many in-house days and external days had been put into the work. She also said there were a lot of acronyms which were confusing. Carole Murray said it would be helpful if some indication was given as to why this particular audit was selected. The Audit Manager apologised and said at the time the plan was done officers were not sure how many people would be in the audit team, but the June report would have all these information.

**Action >>>>> Head of Corporate Resources**

Mr Warren said Independent Panel Members would like to see the risk register, and was told the recent Management Report that went to the last Mayor and Cabinet meeting included the risk register, and this would be sent to them as soon as possible.

**Action >>>>> Committee Clerk**

RESOLVED that the report be noted.

The Chair said this was the last Panel meeting of the current administration and Councillors Hilton, Jacca and Klier would be leaving the Council. He thanked them for all their contribution to the Audit Panel.

Meeting ended: 8:10pm

Chair.....