

Mayor and Cabinet		
Title	Public Accounts Select Committee comments on concerns raised by the Audit Panel	
Contributor	Public Accounts Select Committee	
Class	Part 1 (open)	30 October 2019

1. Purpose

1.1. This report informs Mayor and Cabinet of the views of the Public Accounts Select Committee which arise from concerns raised by the Council's Audit Panel.

2. Recommendation

2.1. Mayor and Cabinet is asked to consider the concerns raised by the Audit Panel and ask the Executive Director for Corporate Resources to respond as a matter of urgency to the Public Accounts Select Committee and to the Audit Panel.

3. Concerns raised by the Audit Panel

3.1. At its meeting on 24 September 2019, the Public Accounts Select Committee received a short briefing on discussions that had taken place at the Audit Panel regarding the resources available to carry out the Council's financial services and audit functions.

3.2. Following from previous discussions, there remains uncertainty about the constitutional process for the Panel to refer its views to Mayor and Cabinet and therefore, due to the urgency of the issue at hand, the Panel asked the Public Accounts Select Committee to refer its views.

3.3. The Committee was advised that the Authority did not meet the 31 July 2019 audit reporting deadline and that Audit Panel had raised concerns in respect of the quality of financial reporting. The Panel ascertained that one reason for this was the under resourcing in the 'finance department'.

3.4. Further to the verbal update from the Chair of the Audit Panel (and the written summary below), the Committee was persuaded that there are urgent issues relating to the resourcing of the Council's financial services and audit functions that require immediate and detailed consideration by Mayor and Cabinet.

4. Explanatory note from the Chair of Audit Panel

4.1. 'Over the last year the Audit Panel has seen a consistent increase in the number of audits raising concerns about core financial systems and the quality of financial reporting. At our meeting on the 11th of July it was reported to us that the Council would not be able to meet its statutory reporting deadline, and it was clear that a significant cause of this was the inability of the Finance Department to respond to the requests of auditors in a timely manner due to a lack of resources.

- 4.2. At the meeting of the Panel on the 19th of September it was subsequently reported that of the seventeen core financial audits performed in 2018/19 four had produced a negative (Limited) opinion and one was not able to be completed. The four areas with negative opinions were in respect of the accounts payable and receivable areas – the core finance system and the social care line of business system. The core financial audit that could not be completed was of the Main Accounting Journals.
- 4.3. The Panel is concerned that the improvements in financial reporting and financial systems which must be made if the Council is to meet its financial targets are not possible at present, and that they will not be possible unless the resourcing of the Finance Department is increased. The Panel is concerned that there is a risk that without this occurring it will not be possible to implement the programme of savings agreed by the Council or to eliminate existing overspends in key service areas.'

5. Financial implications

- 5.1. There are no financial implications arising out of this report per se, although the financial implications of the recommendations will need to be considered in due course.

6. Legal implications

- 6.1. The Council's constitution provides for select committees to refer reports to the Mayor and Cabinet, who are obliged to consider the report and the proposed response from the relevant executive director; and report back to the Committee within two months (not including recess).

7. Further implications

- 7.1. There are no sustainability, equalities or crime and disorder implications arising as a result of the implementation of the recommendations in this report.

Background documents

Minutes of the Public Accounts Select Committee on 24 September 2019:

<https://tinyurl.com/PASC240919>

Agenda and minutes of the Audit Panel meeting on 11 July 2019:

<https://tinyurl.com/AP110719>

Agenda and minutes of the Audit Panel meeting on 19 September 2019:

<https://tinyurl.com/yyyylc6ry>

If you have any questions about this report please contact Timothy Andrew (Scrutiny Manager – timothy.andrew@lewisham.gov.uk)