

LONDON BOROUGH OF LEWISHAM

MINUTES of a meeting of the AUDIT PANEL, which was open to the press and public, held on WEDNESDAY, 19 MARCH 2008 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7 p.m.

Present

Councillor Maslin (Chair); Councillor Michel (Vice-Chair); Councillors Bennett, Ibitson and Till.

Independent Members

Mr King, Mr Tucker and Mr Webb

Apologies for absence were received from Councillor Edgerton.

Officers

Janet Senior	-	Executive Director for Resources
Ray Gard	-	Audit and Risk Manager
Sally Anne Eldridge	-	Audit Manager, Audit Commission
Phil Johnstone	-	District Auditor, Audit Commission

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1 MINUTES (page

With Mr Tucker's apologies for non-attendance at the last meeting of the Panel being noted it was

RESOLVED that the Minutes of the meeting of the Panel held on 20 December 2007, which was open to the press and public, be confirmed and signed.

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2 DECLARATIONS OF INTERESTS (page

Councillor Ibitson declared an interest because she is Chair of Governors at Tidemill School.

Mr King declared an interest because he has been employed by Price Waterhouse Coopers in the past.

3 UPDATE REPORT ON THE WORK OF THE ANTI-FRAUD AND CORRUPTION TEAM (A-FACT)

3.1 The Audit and Risk Manager presented the report and provided an update on the work carried out by the Anti-Fraud and Corruption Team.

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- 3.2 Councillor Michel said that officers would want to deter fraudulent activity. She asked how the success of the team was communicated to staff and the public. The Audit and Risk Manager said that high profile cases would be reported in the local press and on Lewisham's website. An anti-fraud and corruption newsletter would be on the internet and intranet very soon with a link to both networks.
- 3.3 Mr King referred to the minutes of the last meeting. He asked whether there had been any progress with regard to an effective communications policy. He was advised that progress had been made and it was expected that the April issue of Lewisham Life would include an article on anti-fraud. A leaflet would also be circulated with payslips.
- 3.4 Mr Tucker and Mr Webb asked about the misuse of blue badges. Central London have a significant problem with these badges. Lewisham does not experience the same level of fraud; however officers had identified misuse of badges when recipients died. Policy was now in place to make sure that these badges are recalled.
- 3.5 Mr King asked how an employee had left Lewisham owing £18k. The Head of Audit and Risk advised that the employee had continued to be paid after leaving the Council. The overpayment had not been identified for several months. Systems had been strengthened to ensure that overpayments made were identified immediately.
- 3.6 Councillor Bennett asked for comparative figures in future reports which should include details of previous years investigations. Mr Webb agreed and asked for comparison with other local authorities. Members were advised that Lewisham was in the top 3 for London.
- 3.7 Mr King did not consider 39 tenancies recovered as unlawfully let, to be a high number. He asked who was responsible for monitoring these tenancies. The Executive Director for Resources said that the information she had was that ALMO's tend to carry out these functions themselves. She expected Lewisham homes to be responsible for this monitoring. However, Lewisham remains the landlord and have a responsibility for the management of their properties. She said that performance measures were needed to ensure that monitoring was undertaken effectively.

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3.8 The Chair expressed his thanks to the team for their hard work and asked that the report be sent to all members by e-mail in the form of a briefing note.

RESOLVED that the report be noted.

4. INTERNAL AUDIT PROGRESS REPORT (page

4.1 The Chair asked how the unit costs for internal and external consultants compared. The Executive Director for Resources said that two years ago a benchmarking exercise had been undertaken and it was evident that the cost of internal and external auditors were comparable; in some instances, external auditors were cheaper. She considered that this was because internal costs had risen and external consultants were more competitive. Eight people were employed in the audit section with two further posts vacant.

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4.2 Mr King asked whether any attempt had been made to recover the significant additional costs to deal with asbestos as detailed in paragraph 4.3.2. The Audit and Risk Manager said that the case was still being examined. Lewisham had not been billed for the work yet.

4.3 Mr King expressed his concern about the lack of CRB checks on staff in Tidemill School. He asked whether this was a problem in other schools. He was advised that a problem had only been identified in Tidemill School.

4.4 Mr Tucker did not consider that it was acceptable that schools cancelled appointments with auditors, as set out in paragraph 3.9. The Executive Director for Resources said that schools need to be fully compliant of MFSIS. It was a new system and Lewisham have until 2010 to issue pass certificates. Officers would like to spread the workload over 3 years, but schools have been putting off the work that needs to be undertaken. 40% of schools should be compliant by June/July 2008.

4.5 Councillor Michel asked who was responsible for recovering the outstanding parking debt of £3m. She was advised that it was the Council's responsibility. The debt had increased because it had not been monitored. A contract to recover the debt will be put out to competitive tender.

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4.6 Councillor Michel expressed her concern about the history of errors in the calculation of client contributions. The Audit and Risk Manager said that there were a combination of factors. Assets can change daily and there is a heavy demand on the

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service which is demand led. The system is improving and officers should be able to cope but more resources may be needed.

- 4.7 Councillor Michel expressed concern that the take-up for direct payments for adult care packages had not been high. The Audit and Risk Manager said that there had been attempts by the Government and Lewisham to increase direct payments. Greater input is needed to improve the system so that clients purchase services. There has not been any monitoring of the system although this had been identified. A number of issues had been identified to tighten controls. If demand increases any further officers could struggle without additional resources.

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- 4.8 Councillor Bennett referred to Appendix 1. He said that 2 out of 8 recommendations had not been implemented from July 2007. Both were priority one. The Audit and Risk Manager said that officers were concerned about the situation. Hither Green may have been resolved without auditors being advised. He agreed to send members information about consultant procurement.

- 4.9 Internal Audit was being put out to tender. Mr Webb asked whether Deloitte and Touche would be tendering and how Lewisham could ensure that they were treated fairly. He was advised that officers would be interviewing all shortlisted companies. Lewisham has been open and shared information with all companies who have been advised that Deloitte and Touche have been working on a consultancy basis for Lewisham.

- 4.10 Mr Webb was concerned that the same issues in many reports and recommendations were discussed every five years. The Executive Director for Resources said that systems and staff change. Internal Audit check systems over a 5 year period. The process has management attention in a systematic way. She receives monthly reports of outstanding issues so that they can be addressed.

RESOLVED that the report be noted.

5. DRAFT INTERNAL AUDIT PLAN FOR 2008/09

- 5.1 The Audit and Risk Manager presented the report and said that the tenders for the planned audits were due on 4 April.

- 5.2 Mr King asked how good the Corporate Directorate and Service Risk Registers were. The Audit and Risk Manager said that they were good and robust but there was scope for improvement.

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- 5.3 Councillor Michel asked what would be reviewed with regard to community sector grants. She was advised that a sample would be picked to ensure that the correct process had been applied. Monitoring and service delivery would be reviewed.

RESOLVED that the report be noted.

6. ANNUAL AUDIT AND INSPECTION LETTER (page

- 6.1 The report was presented by Sally Anne Eldridge, from the Audit Commission. She said that external audit would be issuing a certificate for 2005/06 and 2006/07 very soon and she thanked officers for their co-operation.
- 6.2 Mr King asked whether Lewisham were still non-compliant of the CIPFA code. The Audit and Risk Manager said that Lewisham were still non-compliant. They need to raise the quality of work of the audit team. Sally Anne Eldridge said that external audit had not been satisfied with internal audit's files. Some action had been taken and the files would be assessed again.
- 6.3 In tendering Audit Services, Mr Webb asked whether internal audit would put in a bid. The Executive Director for Resources said that since 2005 officers had identified that the quality of procedures within internal audit were not up to standard because of cultural and resource issues. Training was provided but the standard had not increased to an acceptable level and alternative external services were being explored. TUPE will apply.
- 6.4 Councillor Bennett referred to the weaknesses outlined in paragraph 3.4. The data quality, although good, was not embedded at directorate level. He asked whether this was because the basic input was wrong. Sally Anne Eldridge said that when external audit look at management arrangements, they look at processes and have sample checks. Arrangements are solid but sometimes performance indicators are not robust and that is where the figures falls down. In summary she said that Lewisham has the right procedures in place with the right data but there are areas of inconsistency across the directorate.
- 6.5 Members questioned whether spot checks on 4 performance indicators was sufficient when there was a total of 8. Sally Anne Eldridge said that external audit quantify performance indicators. They are prescribed by government. Systems change and therefore PI information may not be available. Lewisham's PI's have been discussed with the Executive Directors. External

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- Audit have identified a lot of good practice.
- 6.6 Lewisham was assessed as a four star Council under the CPA framework. Mr Webb asked how this had been achieved when in the CPA scorecard, 3 had been the highest score. Mr Johnstone explained the scoring system and said that 4 stars had been achieved because of Lewisham's achievement in corporate assessment which was an area of importance and had been one of the reasons for the 4 star rating.
- 6.7 The Chair supported the emphasis of PI's. He said that many were surprised when the 4* rating was achieved. He asked what this rating would mean to Lewisham's residents when Housing and Audit were not up to standard. Mr Johnstone said that External Audit receive letters from members of the public and can relate to the services that are not acceptable. With regard to Housing, the management improvement work on the ALMO was not score judgemented it was critical. The Housing score is a basket of indicators. The scores are quantified with other local authorities so a minimum standard is identified. External Audit were still looking at challenges in Housing which is a critical area affecting a good proportion of residents. The Council has the capacity to improve which should push its services forward.
- 6.8 The Chair asked what would motivate a 4* authority with serious weaknesses, to improve. Mr Johnstone said that there was clear scope for improvement. Officers would not want scores to go down. There is evidence that significant effort is being put into improving services.
- 6.9 Councillor Michel referred to this Council's success with regard to diversity. She asked what this Council was doing better than other authorities. Mr Johnstone said that External Audit look at evidence and compare it with other authorities. Level 5 was achieved for diversity by Lewisham, only 2 other authorities achieved this level. There was a separate assessment for diversity which was explained by the Executive Director for Resources. Mr Johnstone said that interviews with key stakeholders had produced positive feedback on diversity.
- 6.10 The transfer of systems for Housing and Council Tax benefit had not been easy. Councillor Michel asked whether these problems were expected. Sally Anne Eldridge said that problems would be expected in a year where there are changes. Many other local authorities were in the same situation, but Lewisham had more issues and more unresolved issues than other authorities. External Audit had concerns about the transfer and wanted to make sure that there were enough resources to address the

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	problem.
6.11	External Audit agreed to send members the link to the sustainable resources document as well as an executive summary.
	RESOLVED that the Annual Audit and Inspection Letter be noted.
	VOTE OF THANKS
	It was agreed that a vote of thanks be <u>made</u> to the Chair for his work over the past year.
	The meeting ended at 8.50 p.m.

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Chair

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