

## **LONDON BOROUGH OF LEWISHAM**

MINUTES of a meeting of the AUDIT PANEL, which was open to the press and public, held on WEDNESDAY, 3 DECEMBER 2008 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7 p.m.

### **Present**

Councillor Hall (Chair) Councillor Michel (Vice Chair) Councillors Bennett, Ibitson, Peake and Till

### **Independent Members**

Mr Webb

Apologies for absence were received from Mr Tucker and Mr King.

### **Officers**

David Gallie	-	Head of Corporate Resources
Ray Gard	-	Audit and Risk Manager
Steve Mace	-	Group Manager Accounting
Antony Russell	-	Principal Accountant
Chris Harris	-	RSM Bentley Jennison
Ralph Wilkinson	-	Head of Public Services

### **Minute No.**

### **Action**

#### **1      MINUTES**

RESOLVED that the Minutes of the meeting of the Panel held on 24 September 2008, which was open to the press and public, be confirmed and signed; and

#### **2      DECLARATIONS OF INTEREST (page**

None reported.

#### **3      INTERNAL AUDIT PROGRESS REPORT (page and Appendix page**

3.1 The Audit and Risk Manager presented the report. He said that the manager originally assigned to the Lewisham contract, Jerry Barton, was leaving RSM Bentley Jennison. He wished to record his thanks for helping to set up the contract with Lewisham.

3.2 Members were advised that insentivising ideas for better practice with regard to internal audit, as outlined in paragraph 4 of the report, would be submitted to the next meeting of this panel.



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- 3.3 Councillor Michel asked why KPI's were focussed on quantitative measures and whether without the Audit Commission, Lewisham would have presented them in the same way. The Audit and Risk Manager said that he would have presented the KPI's in this way because quantitative measures prove that a service can be delivered on time. Lewisham needs to be able to prove that the service has improved performance and is providing value for money. He said that he would focus on the qualitative measures after the contract has settled down.
- 3.4 Councillor Bennett asked, whether there was scope for the Council to suffer from fraud since the new changes in VAT. The Audit and Risk Manager said that there was always risk of the Council being at risk of fraud. However, since the change in VAT the risk had increased slightly and officers needed to be vigilant.
- 3.5 Councillor Bennett asked whether it was possible to obtain KPI's for the previous audit. The Audit and Risk Manager said that it would be possible for some areas and agreed to send the information to Councillor Bennett. A & R Manager
- 3.6 Councillor Bennett asked how officers monitor the management of RSM Jennison Bentley. The Audit and Risk Manager said that there are regular meetings with contract managers. He has access to all reports and all files and he has discussions with client managers about their views on audit.
- 3.7 Mr Webb said that there were a large number of KPI's, there should be a top 4 or 5. However, he congratulated officers on the improved performance of audit. The Audit and Risk Manager agreed to pick out the top 4-5 KPI's and report back to this Panel. A & R Manager
- 3.8 The Audit and Risk Manager introduced Julie Hetherington, the new Internal Audit Contract Manager who would be working with him to manage the contract.

RESOLVED that

- (i) the report be noted;
- (ii) the top 4-5 KPI's be identified and submitted to this Panel; and
- (iii) the good progress, as set out in the report, be noted and officers be thanked for their internal audit review.



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4. ANTI-FRAUD AND CORRUPTION TEAM PROGRESS REPORT (page

4.1 The Audit and Risk Manager presented the report which he said was submitted to the panel every six months.

4.2 Councillor Michel referred to tenancies paragraph 5.3 of the report. She asked whether cases were prioritised on a chronological basis. The Audit and Risk Manager said that it was based on chronology to a certain extent but also on intelligence. Lewisham Homes are responsible for illegal sub-letting, Lewisham focus on those presenting as homeless.

4.3 Councillor Bennett said that since stock has been transferred to Lewisham Homes, Lewisham should not be dealing with the investigation of housing fraud. The Head of Corporate Resources said that officers needed to look at reporting lines.

4.4 The Chair asked where the money goes following successful prosecution cases under the Proceeds of Crime Act. The Audit and Risk Manager said that a protocol was being developed Officers have to re-use the money for anti-fraud activity, but only 25% of the total claimed is the most Lewisham could recover. In a recent case about £7,000 out of a total of £28,000 agreed by the courts was awarded to Lewisham.

RESOLVED that

(i) the report be noted; and

(ii) the reporting arrangements with regard to Housing Investigation be considered.

Head of  
Corporate  
Resources

5. BUSINESS CONTINUITY MANAGEMENT UPDATE (page and Appendix page

5.1 The Head of Public Services presented the report. He circulated a paper entitled "Business Continuity 'Control Sheets'".

5.2 Councillor Till asked how officers would cope with a flu pandemic if a large number of administrative staff were affected. The Head of Public Services said that officers need to plan for 50% of administration staff being affected by the pandemic. Staff would be off work for about 2 weeks so arrangements need to be made for critical services. Demand could rise, and resources will be moved to where it is needed. The Government also issues a number of guidelines.



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- 5.3 Councillor Ibitson asked how contingency plans were tested. The Head of Public Services said that a recent exercise on pandemic flu with Executive Directors and Lewisham's partners, had lasted for a month. Plans were made, pressures on services identified and solutions drawn using their action plans.
- 5.4 The Chair asked about the cost of the exercise. The Head of Public Services said that the cost was contained within the Emergency Planning Team budget. The Chair asked about the comparison between public and private sector spending on emergency plans. He was advised that compared with private firms Lewisham provide very little emergency planning. However, Lewisham provide more emergency planning than most other local authorities.
- 5.5 Councillor Bennett said that in June 2008 there had been a power cut and yet this emergency was not part of the Business Continuity strategy. The Head of Public Services said that the Business Continuity Plan does not cover specific risks but corporate risks. ICT would have plans to deal with power failure. The Head of Corporate Resources said that he was the duty officer in June when the power failed. He said that the procedures were helpful for instigating a response and contacting the relevant officers, and was a good guidance.
- 5.6 The Chair suggested that this report should be updated and submitted to this panel annually. Members generally agreed, Councillor Bennett was concerned about the high priority ratings that had no known plans. The Head of Public Services said that the Executive Director for Regeneration monitors the progress of services in meeting the aims and objectives of the Business Continuity strategy. There is also high level of monitoring at EMT and the Internal Control Board. He agreed to highlight any issues of concern in the annual report.
- 5.7 Councillor Ibitson asked whether there were any other action plans being considered. The Head of Public Services said that there was no specific priority. Officers were considering a contingency plan for flooding but this was a multi-agency plan.

RESOLVED that

(i) the success of the Business Contingency Plans to date, be noted; and

(ii) an annual monitoring review report, with an exception statement be submitted to this panel.

Head of  
Pub Serv



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6. REVIEW OF HALF YEAR FINANCIAL POSITION (page
- 6.1 The Group Manager, Accounting, presented the report. He said that last year the Audit Commission stated that the accounts had been well scrutinised, and they wanted evidence of more scrutiny this year. This report was not an interim financial statement but an overview of finances last year. Services had been technically challenging last year; this year there were not so many new innovations so there should not be so many challenges. Officers could concentrate, therefore, on the quality of the accounts.
- 6.2 The Principal Accountant drew Members attention to the fact that invoices from small creditors are flagged up and paid as quickly as possible.
- 6.3 Councillor Bennett asked how many invoices were paid within 10 days. The Group Manager, Accounting, said that just over 90% of invoices were paid within 10 days, 100% of small and medium creditors were paid within 8 days.
- 6.4 Councillor Bennett asked whether Lewisham could get rid of some of its older loan rates. Members were advised that local authorities were not incentivised to pay off loans. The Head of Corporate Resources said that Lewisham would be taking on a loan the next day at a rate of 4%. Long term debt is a good method of funding, officers expected interest rates to rise when the economy improves.
- 6.5 Councillor Michel asked how much extra officer time was needed to resolve technical issues raised by the Audit Commission. The Group Manager, Accounting, said that one member of staff worked full time on this project. Looking forward to 2008/09 accounts, he did not see any need to use any extra resources.
- 6.6. In 2009/10 the IFRS could introduce regulations that could have an impact on resources; Lewisham are prepared for any changes. Councillor Michel asked whether these changes represent value for money. The Group Manager, Accounting, said that this was an ongoing project joining public, private and international standards. The understanding of accounts will improve when every organisation has the same information. The rules and regulations have to go out to all local authorities. If there was a big lobby from all local authorities, then the standards board would be compelled to take action. When officers receive more information they can analyse and appraise the situation.



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- 6.7 Councillor Peake suggested that a letter be written to the LGA raising the Council's concern. It was agreed that this issue be raised with the appropriate organisation and the Group Manager, Accountancy, agreed to provide an update at the next meeting of the panel. ED Res
- 6.8 Mr Webb asked whether Lewisham should be investing in government gilts and paying off debts rather than increasing loans. The Head of Corporate Resources said that the housing subsidy initiative was to borrow. If Lewisham pay off debts then they lose housing subsidy. He said that gilts could become a good investment opportunity and officers would look into the matter. External fund managers invest in gilt; he was not sure whether it would be right for the treasury team but it could be considered.
- 6.9 Councillor Michel referred to table 2 in paragraph 4. She said that Lewisham Homes were only spending at 6%. She was advised that there had been debate on this issue but there were no sanctions if money was not being spent. Their performance on capital was worrying. Public Accounts Committee had considered the matter and it would be raised again. However, if they did not receive their 2 star rating this would be incentive enough to spend nearer to 50%. The Group Manager, Accounting, said that as at the end of November, Lewisham Homes had spent £3m; spending was improving but there was still a long way to go. The situation was being monitored.

RESOLVED that

- (i) the report be noted,
- (ii) officers be authorised to identify the correct body to raise this Council's concerns about IRFS regulations, the cost and scope for influence by local authorities and a further report be submitted to the next meeting of this panel; and ED Res
- (iii) officers be commended for paying 90% of creditors within 10 days, 100% of small and medium creditors within 8 days and the administration of the reduction on VAT.

The meeting ended at 8.50 p.m.