

LONDON BOROUGH OF LEWISHAM

MINUTES of a meeting of the AUDIT PANEL, which was open to the press and public, held on WEDNESDAY 24 JUNE 2010 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7 p.m.

Present

Councillors Clutten, Harris, Mallory, Peake.

Also Present

Councillor Feakes

Audit Commission

Sue Exton (District Auditor), Geoffrey Banister (Audit Manager), and Alexandra Lazar (Team Leader).

Officers

Janet Senior	-	Executive Director for Resources
Ray Gard	-	Audit and Risk Manager
Steve Mace	-	Finance Shared Services Manager
Richard Lambeth		Group Finance Manager – Accounting Services
John Johnstone		Principal Accountant - Closing

Apologies for absence were received from Councillor Bonavia, Mr King and Mr Webb

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- ELECTION OF CHAIR AND VICE CHAIR (page

RESOLVED that Councillor Harris be elected Chair and Councillor Peake be elected Vice-Chair of the Audit Panel for the municipal year 2010/11
- MINUTES AND MATTERS ARISING (page

RESOLVED that the minutes of the meeting of the Panel held on March 24 2010 which was open to the press and public, be confirmed and signed.
- DECLARATIONS OF INTERESTS (page

Councillors Clutten, Harris, Mallory and Peake declared personal non prejudicial interests in Item 4 as current or intendant members of the Local Government Pension Scheme.

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4	<u>STATEMENT OF ACCOUNTS 2009/10</u> (page	
4.1	A visual presentation on the accounts was made by the Finance Shared Services Manager.	
4.2	The Chair asked why, if the Annual Governance Statement was the subject of ongoing review, was there not explicit mention of forthcoming cuts and the Comprehensive Spending Review. He believed a possible reduction of 25% was worthy of mention.	
4.3	The Audit and Risk Manager said the Annual Governance Statement could be reviewed between now and September and he would take the suggestion that there be a separate item on the Comprehensive Spending Review back to the Working Party.	Head of Audit
4.4	The Chair asked if staff were comprehensively briefed on Whistleblowing as part of their induction. The ED Resources said this had been identified as an area needing improvement in the Annual Governance Statement.	
4.5	Councillor Peake said he believed too much of the Annual Governance Statement contained promotional material regarding the directly elected mayor, which masked legitimate areas of concern. He highlighted the deficiencies he perceived in the borough's Housing Service including the homelessness target. The Audit and Risk Manager indicated the concerns raised by Councillor Peake would be discussed at the Working Party.	Head of Audit
4.6	Councillor Mallory enquired about the status of the Working Party and its relationship with the Audit Panel. The ED Resource said the Working Party was an officer group as described on Page 187. Councillor Clutten received an assurance from the ED Resources that the views expressed at the Audit Panel would be relayed to the Working Party.	
4.7	The Chair asked for clarification regarding the £380 million gap in the pension figures. The ED Resources reported that while there had been a £9.7 million in year surplus, the £380 million figure represented the gap between actuarial liabilities and the assets. She explained the council was reviewing the actuarial valuation.	
4.8	Councillor Peake asked about the relationship between the pension fund and Lewisham Homes. The ED Resources said Lewisham Homes had been set up in 2007 as a scheduled body as part of our pension fund on the advice of CIPFA.	

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- 4.9 The Chair asked if the £3.5 million rise in Council Tax arrears should be a matter of concern. The ED Resources said the Customer Services Directorate were leading on clearing the arrears and that the rise could be largely explained by the recession. She provided an assurance to Councillor Mallory that the circumstances of each individual case would be sensitively considered before all the available recovery measures were used.
- 4.10 The Chair queried the officer emoluments section of the Accounts and stated given public concerns over salary growth, these needed to be actively managed. Councillor Clutten said she wished to register her deep concern over the salary of £231,000 being paid to a Primary School head teacher and that she regarded this as being unacceptable.
- 4.11 Councillor Peake obtained an assurance from the ED Resources that Council Tax and NNDR write offs were being actively managed.
- 4.12 The Chair asked if PFI credits were guaranteed to be a continuing revenue stream. The ED Resources said she could not envisage the Government backing out after the Financial Close Stage and that PFI credits were a very unlikely area to be subjected to cuts.
- 4.13 The Chair asked about the Catford Centre and why a corporately owned company had been set up. The ED Resources explained there were 20 tenants involved and it was beneficial to the council for the relationship to be set up on a commercial basis.

RESOLVED that

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(1) the council be recommended to approve the pre-audit Statement of Accounts 2009/10 and following that approval, the Accounts be passed to the Council's external auditors, the Audit Commission, for audit.

(2) the officer Working Group be invited to consider comments made on the Annual Governance Statement.

5. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT (page

- 5.1 The report was presented by the Head of Internal Audit and Risk.

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5.2 The Chair noted that apart from sundry debtors, the direction of travel appeared very positive.

5.3 The Chair queried the section dealing with Housing and Council Tax Benefit investigation. He asked if the right balance was being achieved between investigation of Housing and Benefit Fraud and unauthorised sub-letting of Council flats.

5.4 The Head of Audit and Risk explained Lewisham Homes had been responsible for investigating Sub-letting for the last 18 months. The Chair said figures showed only 9 cases had been discovered in 2009/10 whereas members casework suggested the figure must be much higher. He asked if Lewisham Homes were doing enough to discover cases of sub-letting. The Head of Audit and Risk said the Directorate no longer had any direct responsibility but when the service was last run by the council between 30 and 40 cases were discovered each year. The Chair said this has an issue of concern and the Panel agreed the issue should be referred to the Housing Select Committee.

Head of
Audit

5.5 Councillor Peake asked for an update of assurance levels for schools. The ED Resources said the council has been found to have a poor internal audit function a few years ago but improvement has been made and managers across the council took internal audit far more seriously, although there were some challenges which still needed to be overcome.

5.6 The Head of Internal Audit and Risk concluded by noting this would be his last Audit Panel and he thanks the members for their past support.

RESOLVED that the report be noted.

6. PROGRESS REPORT FROM AUDIT COMMISSION (page

6.1 The progress report was presented by Sue Exton (District Auditor) and Geoffrey Bannister(Audit Manager)

6.2 The Chair noted that HarbourVest one of the Council's pension fund managers, has been unable to provide a SAS 70 report. Richard Lambeth confirmed the SAS 70 has subsequently been put in place by this fund manger which held £20 million of the council's assets.

6.3 The Chair received confirmation from the District Auditor that audit fees had risen by 6%.

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- 6.4 Councillor Peake asked if the quality of the authority's grant submissions would improve. The ED Resources said she had been concerned about this and an internal review had been commissioned, as a result of which she was expecting significant improvements in the quality of grant claims.

RESOLVED that the report be received.

The meeting ended at 9.34p.m.

Chair