

# **MINUTES OF THE AUDIT PANEL**

**Wednesday, 27 March 2013 at 7.00 pm**

PRESENT: Councillors Michael Harris (Chair), Philip Peake (Vice-Chair), Ami Ibitson, Mark Ingleby, Jim Mallory, King, Robinson and Webb

ALSO PRESENT:

Apologies for absence were received from Paul Dale

## **24. Election of Chair and Vice Chair for 2013/14 Municipal Year**

RESOLVED that :

- i. that Councillor Harris be appointed as Chair of the Audit Panel for this Municipal Year.
- ii. that Councillor Peake be appointed Vice Chair of the Audit Panel for this Municipal Year.

## **25. Minutes**

The Chair asked for an update on the payment discrepancy and Bank reconciliation incident that was raised at the last meeting. The Head of Business Management and Service Support informed the Panel that substantial improvements have been made and officers were satisfied that the issue was now fully or very substantially resolved. This information would be circulated to members.

RESOLVED that the Minutes of the meeting of the Panel held on 21 November 2012, which was open to the press and public, be confirmed and signed as a true record of the proceedings.

## **26. Declarations of Interests**

Councillor Mallory Declared a non prejudicial interest as Chair of the Board of Governors for Abbey Manor Pupils Referral Unit.

## **27. External Auditor's Progress Report 2012/13**

The Chair welcomed Darren Wells, Director of Grant Thornton, to the meeting.

Darren Wells introduced the report and gave a summary of the work Grant Thornton would be doing for Lewisham.

The Chair asked Darren Wells to explain the changes involved following the move from the Audit Commission to working with Grant Thornton. Darren Wells stated that the Audit Commission Staff have now moved to Grant Thornton and they now have a New Management Team. He said that they would be working closely with

Lewisham officers and have regular monthly meetings to ensure audit can be done efficiently. He said the approach would be different, but there would be no additional burden on the Council, and he did not think the Audit Plan would be completely different. He added that these changes would be explained clearly at the June meeting.

The Chair stated that he was pleased with the 40% reduction in fees and questioned if there was any risk involved, especially at a time when the organisation was going through significant changes with limited resources. Darren Wells said that he was aware that 40% was a big change but Grant Thornton would not undertake less work, as they have a professional standard to maintain. He stated that they would re-arrange their audit approach to ensure efficiency and effectiveness.

Councillor Ingleby expressed interest in the 2 publications mentioned on the report; Towards a Tipping Point, and Improving Council Governance - a SlowBurner. Darren Wells said that copies would be sent for circulation to Audit Panel members.

The Chair stated that he would send a letter to Grant Thornton explaining the responsibilities of the Audit Panel members, and would find Grant Thornton's assistance of the Council's processes useful. Darren Wells said that would be part of their responsibilities.

RESOLVED that that the External Auditor's Progress Report 2012/13 be noted.

## **28. Update on 2012/13 Closing of Accounts and External Audit**

The Team Leader, Accounting, introduced the report, informing the Panel that last year's report was more successful than previous years. He added that the pre Audit statement would be brought to the Panel in June for sign off, then sent to Grant Thornton at the end of June, then come back to the Panel in September, before submission to Council for approval.

RESOLVED that the report be noted.

## **29. Internal Audit Update Report**

The Interim Head of Audit & Risk introduced the report.

David Webb asked whether the reductions mentioned on page 41 were financially driven by the Council. The Interim Head of Audit & Risk said that there had been a £75k reduction in resources this year and they now have different allocation of work, this included a lighter touch with schools, but more follow up work would need to be done in-house.

David Webb asked Darren Wells what he thought about the proposed lighter touch with schools. Darren Wells said that he would have thought his managers would have been aware of the changes which would result in 150 days reduction. Darren Wells said the reduction would not impact on the external audit work, or on key

financial systems of the Council as internal audit and external audit have a different focus.

The Interim Head of Audit & Risk said that officers have had this conversation with the External Auditors. He added that the Council was seeking value for money, and will be cutting down on the number of days spent with schools. There would be some impact but with both sides working together, this would mitigate the risk.

David Webb raised concerns over Kender Primary school's financial management control as stated in the report. The Interim Head of Audit and Risk said that officers would continue to monitor implementation of the recommendations, and they would ensure that they fulfil their responsibilities and keep within the timetable.

The Interim Head of Audit & Risk briefed the Chair on the follow up process following a school audit, as requested. Richard King added that from experience Chairs of Governors were always notified of the audit outcome, and would urge officers to ensure they were aware of the situation especially for Kender and Fairlawn schools. The Chair requested that the Interim Head of Audit & Risk contact the Head of Resources, Children and Young People to enquire if Chairs of Governors were notified of audit outcomes, and if not to ensure this happens. Richard King asked if there was anything Panel members needed to be aware of following the New Code of Practice of Internal Audit. It was noted that verification of the Charter and Terms of reference for the Panel should be updated every 3/5 years, and this would be done by the end of the year.

Panel Members raised concerns about recommendations that were categorised as high risk but have been given up to 3 months to be dealt with. They emphasised that this would send the wrong signal to schools, highlighting the importance of treating high risk recommendations as urgent. The Interim Head of Audit & Risk said that officers would refine certain terminologies. The Chair thanked officers for the Risk Register.

RESOLVED that the report be noted.

### **30. Anti Fraud and Corruption Update**

The Interim Head of Audit & Risk introduced the report.

The Chair asked whether the Council should be proactive in working with local partners to uncover fraud. The Interim Head of Audit & Risk said that so far Lewisham Housing Partners have been very co-operative. Councillor Ibitson said that she was aware that Phoenix have their own AFACT team and it would be useful to know their figures. Panel members requested that officers include information about Lewisham Homes and Phoenix housing in their next report.

RESOLVED that the report be noted.

The meeting ended at 8.30p.m.