

MINUTES OF THE AUDIT PANEL

Thursday, 12 September 2013 at 7.00 pm

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

ALSO PRESENT:

Apologies for absence were received from David Webb

42. Minutes

RESOLVED that that the Minutes of the meeting of the Panel held on 18 June 2013, which was open to the press and public, be confirmed and signed as a true record of the proceedings.

43. Declarations of Interests

None Received.

44. Grant Thornton's External Audit Reports on the 2012/13 Accounts

- 44.1 Darren Wells, Director for Assurance, Grant Thornton introduced the report. He highlighted that after the reports went out there was one amendment identified, and a couple of areas of work was still in progress. He informed members that overall the quality of the statement presented was very good and the information had been supported by documentation. Darren Wells said there had been very good co-operation from both sides.
- 44.2 Mike Robinson said that the amber assessments were confusing, as by definition these issues were trivial and of low consequence, yet they have been highlighted. He said they could have been coded differently, especially as there were quite a few of them. The Chair commented that he had identified only one red assessment and asked why it was significant. Darren Wells stated that the process for the valuation of non current assets would need to be put right before the next audit. It was noted that if the Council do not have sufficient internal valuation expertise to meet the requirements of the code, then an external provision should be made.
- 44.3 Paul Dale asked why this was an internal control issue. Darren Wells said this would be in the wider sense of the systems. Mike Robinson added that he would expect this issue to be included in judgement and estimates. Darren Wells said that it was not included as such because they did not consider the resulting estimate to be unreasonable.
- 44.4 Councillor Peake said that at previous meetings there had been issues with the asset register, and asked whether this has been resolved. The Group Finance Manager, Accounting and Capital said that it has improved and officers were happy with the outcome. Darren Wells stated that this information was included in the statement. He added that they were aware that this issue had been raised in

previous years and progress was being made and they believed that it was in its final stage of completion. The Chair asked whether there was a connection between the asset register and the valuation. The Group Finance Manager said that if the valuations were done on time then there would be sufficient time to update the register.

- 44.5 The Chair said he had noticed that the Annual Governance Statement was long and asked if Grant Thornton knew which London Borough does it well. Examples of best practices were discussed and noted.
- 44.6 The Chair stated that it was important that the public is able to access the Governance Statements so that they are satisfied that the Council's accountability systems were in place and effective. Councillor Mallory said that Panel members would be interested to see examples of best practices. The Chair said Panel members would like to know how best they could communicate the Council's performance to the public. Councillor Ingleby stated that it was important to ensure that this information was prominent on the Council's website.
- 44.7 The Chair asked whether Grant Thornton thought it would be useful for the Council to sought external opinion as to whether it was delivering value for money. Darren Wells said that Grant Thornton has provided the Council with a snap shot of whether it was using its reserves in an effective way, plus how the Council compares to like authorities, as detailed in the financial resilience report. Darren Wells added that the authority would need to decide whether it would be prudent to spend money to employ and engage external assistance to give a fresh outlook.
- 44.8 Councillor Mallory said that it does not seem as if there was any significant issue they need to worry about in the way the Council had matched its priorities against its resources. Darren Wells said that the approach the authority had taken was balanced.

Pension Fund

- 44.9 Darren Wells introduced the Pension Fund report and stated that there were few areas still outstanding at the time the report was sent out, but most of them have now been completed. He added that on the whole the quality of the financial statements was good and there were no issues that would pose significant risk.
- 44.10 Panel members noted that the issue of a separate Bank Account for Pension Fund was yet to be resolved in keeping with the 2009 Regulations. Paul Dale raised his concerns, and said this was unlawful, and the issue had dragged on for over two years. Panel members said that this issue could not be ignored. The Head of Business Management and Service Support said that officers were aware of their responsibilities and they would seek to address the issue in a way that would not result in significant cost to the Council. This would be done during the upgrading of the general accounting systems which would go live in the next 2-3 months.
- 44.11 The Chair asked if this meant that in 2-3 months time a separate Bank Account would be opened for the Pensions Fund. The Head of Business Management and Service Support stated that the Council already had a separate Pension Fund Bank Account, and all financial transactions of the Pensions Fund would be in that account by the end of the current financial year.

- 44.12 The Chair requested an explanation of the working capital ratio in relation to the Council's performance, this was provided and it was noted that there was no reason for concern. The Chair then thanked Darren Wells and Jamie Bewick for the presentation, and stated that it was a good Audit report.

RESOLVED that the External Auditors reports for the Council's Main Accounts and the Lewisham Pension Fund Accounts 2012/13 be noted.

45. External Auditor's Reports on the 2012/13 Accounts

- 45.1 The Group Finance Manager, Accounting and Capital introduced the officers report. The Panel considered and noted the report which included the proposed Letters of Representation.

RESOLVED that the report be noted and the Letters of Representation be approved.

46. Internal Audit Update Report

- 46.1 Chris Harris, RSM Tenon informed the Panel that RSM Tenon went into Administration in early August, and have been bought by Baker Tilly. He assured Panel members that services would continue as before but from the next meeting they would be part of Baker Tilly LLP.

- 46.2 The Interim Head of Audit & Risk introduced the report. Councillor Ingleby asked whether the work on Adult Social Care has been finalised as promised at the last meeting, and was told that this work has been completed. Councillor Ingleby commented that the Street Lighting Contract was discussed at the Sustainable Development Select Committee meeting. He asked if there was a penalty process in place, and whether communications between both boroughs was effective. It was noted that information was shared between boroughs, and that penalties were being acted upon.

- 46.3 The Chair asked whether the key findings listed on page 129 would be acted upon, and was told by the Interim Head of Audit & Risk that all key findings would have recommendations, and these have to be implemented within a timeframe. The Chair asked when the feedback was expected, and was told that there were deadlines to be adhered to, and by March 2014 follow up action would be taken.

- 46.4 Richard King asked how the recommendations for Adult Social Care were going to be implemented if staff were being reduced. The Interim Head of Audit & Risk said that the cuts were Council wide, and the Council was committed to deliver services efficiently. The feasibility of the recommendation would have been considered when it was agreed with management. The Head of Business Management and Service Support stated that there was a benchmark on cost reduction which the Council could not possibly go below.

- 46.5 The Chair said there had been a lot of changes in the provision of Adult Social Care and members need to be keep abreast of developments. It was noted that there has been a change in the culture of local government and the expectation

now was 'more for less'. The Chair asked whether this issue has been highlighted in the Healthier Communities Select Committee, and asked if the audit reports should be raised at that Select Committee during consideration of Policy issues and implementation. Councillor Ingleby stated that Council members would need to have a clear perspective during the savings drive.

- 46.6 Councillor Mallory stated that he was pleased to see a lot of improvements in the school audits. Panel members were informed that Schools Board of Governors were always informed of audit recommendations for their schools. The Chair asked whether the Council offer its Audit Services to non community schools, and was told that services were offered for a fee.

RESOLVED that the report be noted.

47. Anti Fraud & Corruption Team (A-FACT) Update

The Interim Head of Audit & Risk introduced the report.

- 47.1 Councillor Mallory commented that he was happy that the Council was successfully prosecuting offenders. The Chair stated that it was important how the information was utilised to identify new sub-lettings. He commented that to offset the bedroom tax people would be tempted to sublet, this could put vulnerable children at risk. He added that it was important the Council act quickly and effectively.

RESOLVED that the report be noted.

The meeting ended at 8.30p.m.