

# MINUTES OF THE AUDIT PANEL

Thursday, 17 September 2015 at 7.00 pm

PRESENT: Councillors Helen Klier (Chair), Mark Ingleby, Jim Mallory and Jonathan Slater (Vice-Chair)

ALSO PRESENT:

Apologies for absence were received from Councillor Bill Brown, Councillor Eva Stamirowski and Richard King

## 16. Minutes

### Sedgehill School Deficit

The Head of Corporate Resources informed the Panel that progress had been made on the investigation, and recommendations done for the school. The Panel would receive feedback at their December meeting.

**Action >>> Head of Corporate Resources**

### Reconciliations Update

The Head of Financial Services stated that the difficulties around reconciliations which were due to staff changes, had now been addressed, and reconciliations were now being done on a monthly basis. Councillor Mallory asked whether officers were satisfied they now have the right level of personnel, and was told they were doing their best in the circumstances.

### Joint Management Board of the Shared Services Provider of the General Ledger Upgrade

Panel members thought it would be useful for the Audit Panel and the Public Accounts Select Committee to receive a briefing on the Joint Management Board. The Chairs of both Committees would decide the format and time of this briefing.

**Action >>> Head of Financial Services**

### Commissioning and Procurement Board

Councillor Ingleby said he would request that this item be included in the PASC work programme, subject to approval. The Head of Corporate Resources said they had just produced a handbook which made reference to new regulations, including information on the Commissioning Board. Councillor Ingleby said the handbook would be useful.

**Action >>> Head of Corporate Resources**

## Independent Panel Members

Councillor Mallory asked whether progress had been made with appointing new Independent Members, and was told that officers were still pursuing this.

### **Action >>> Head of Corporate Resources and Head of Financial Services**

Darren Wells stated that the comments on paragraph 13 fourth paragraph was from the Head of Corporate Resources, this was noted.

RESOLVED that the minutes of the meeting held on 18 June 2015, which was Open to the public, be confirmed and signed as a true record of the proceedings, subject to it be noted that comments on paragraph 13 fourth paragraph was from the Head of Corporate Resources.

### **17. Declarations of Interests**

None received.

### **18. Final Accounts - Grant Thornton's External Audit Reports**

Jamie Bewick, Manager Public Sector Assurance, Grant Thornton introduced the report, which highlighted the significant findings and key matters arising from the audit of Lewisham's financial statements for the year ended 31 March 2015. He informed Panel members that overall it was a good audit, and following some amendments that are yet to be done, it would be given an unqualified conclusion. He added that there were good systems in place, and although the Council was financially challenged there were only few suggestions made.

Councillor Mallory asked about the incorrect classification, and was told that a transaction had been posted in the wrong year. Councillor Mallory asked if this would affect the accounts, and was told it would not. He then asked how many hostels the Council have, and was told 7.

Following some clarifications as requested by Councillor Ingleby he stated that he was pleased to note that this was a good audit for the Council. Jamie Bewick stated that Grant Thornton acknowledged that the Council had done well given the scale of savings it had to make in relation to its deprivation.

The Head of Corporate Resources said last year's plan was slightly late, and officers were working hard to ensure that issues that were highlighted last year were being monitored to avoid any delays. Darren Wells, Director, Grant Thornton said they had not yet seen the evidence, but have discussed recommendations and issues with the Executive Director for Resources & Regeneration, the Head of Financial Services and the Group Finance Manager, Core Accounting.

The Chair commended officers for the improvement, she said although there was room for additional improvement she was pleased to see the report. Councillor Mallory said he was also pleased with the report especially with the current reduction in staff. Councillor Slater asked whether temporary or freelance staff were being used

to assist with the work, and was told that management was keen to see stability and were trying to use permanent staff to do the work.

The Chair asked how officers would cover long term illnesses, and was told that fortunately they had not have any to date. Councillor Slater said temporary staff could be expensive. The Head of Financial Services emphasised that management was trying to ensure that the section was self- reliant, and discouraging single person dependency in any particular job. Councillor Ingleby asked whether the £5m mentioned on the savings plans for new homes bonus money, meant £5m would be spent on new homes. He was told that the money was to fund infrastructure and services which would result during the course of building the new homes.

### Pensions Fund

The Chair said the pensions audit findings were very favourable. Jamie Bewick said there was nothing in particular to bring to the Panel's attention. He added that he did not foresee any problem in signing the opinion, and Grant Thornton proposed to give the Council an unqualified VFM conclusion.

In response to Councillor Ingleby's question as to whether this report would go to the Pensions Board, it was noted that the Pensions Board have no formal role in this process, but at their meeting in July it was agreed that key documents would be forwarded to them.

RESOLVED that the External Auditors reports for the Council's Main Accounts and the Lewisham Pension Fund Accounts 2014/15 be noted.

## **19. LBL Response to Grant Thornton's Findings**

In relation to page 29 of the report, the Chair asked whether Grant Thornton was urging Lewisham to speed up their savings programme. Jamie Bewick said Grant Thornton just made a factual judgement that savings put in the plan was not achieved because of the savings drive. Councillor Mallory asked if Grant Thornton had sought to find out if steps had been taken to address this. Jamie Bewick said this had not been looked at thoroughly. Darren Wells said that the section dealt with robustness and they had noted that planned savings had not been realised as quickly in the year.

The Head of Corporate Resources said Lewisham Futures Program sets out the savings targets, and last year they were slightly optimistic about what they could achieve on some proposals. He said an exercise was done to keep track with these proposals, and currently they were realistic targets. The Head of Corporate Resources said he was confident they would be delivered, albeit later than expected. He said the next monitoring report would be going to the Public Accounts Select Committee in November.

Councillor Mallory asked whether officers were not being realistic, in achieving savings because of the pressures to make them. The Chair said this could be worrying as the savings remained on-going. Councillor Slater said the answer could be income generation and Shared Services. He said at the last Housing Select Committee, members said officers should start to think out of the box and

be innovative. The Head of Corporate Resources said officers were doing all they could, and would continue to do so.

RESOLVED that:

- i. the reports from Grant Thornton, and the covering officer report be noted.
- ii. the letters of representation be approved on behalf of Council.
- iii. the comments from the Panel for Council be finalised by the Chair

## **20. Internal Audit Update**

The Head of Corporate Resources introduced the report. He highlighted that 6 audits have been finalised from 2015/16 audit plan. He informed Panel Members that 9 recommendations had not been agreed by managers. These would be referred to the Internal Control Board (ICB) in November to decide if the recommendations should be implemented or not. The result of this referral would be presented to Panel Members at their next Audit Panel meeting. The Head of Corporate Resources said management sometimes do not agree recommendations because of concerns they may not get the resources needed to implement the recommendations, rather than disagreeing with the intent of the recommendations.

The Head of Corporate Resources said the numbers of overdue recommendations had gone up, and this could become a problem, but auditors would keep it under review. Councillor Slater raised his concerns about recommendations not being carried out on time. The Head of Corporate Resources said the reason why the overdue recommendations have increased could be down to the timing of reminders being sent out, which was during the Summer. This would be monitored and reported at the next Audit Panel meeting.

**Action >>> Head of Corporate Resources to update members on recommendations not agreed, and overdue recommendations at the next meeting.**

RESOLVED that the report be noted.

## **21. Anti-Fraud and Corruption Team Update**

The Head of Corporate Resources introduced the report and reminded Panel Members that the Council no longer did benefits work, although it was a requirement for the Council to work with the Department of Works and Pensions.

The Chair asked whether there had been additions to the number of staff in the antifraud section, and was told there had been a reduction in staff from 10 to 6.5. The Audit Manager said officers were now doing more proactive, and less reactive work to promote efficiency.

The Chair asked whether there had been a noticeable difference following the deployment of benefits to the DWP. It was noted that the figures were roughly the same. Councillor Slater asked whether fraud had gone up after the introduction of the Right to Buy. The Head of Corporate Resources said this was an area where

fraud has been identified in the past and continues to be identified, which supports the ongoing focus on the risk of housing in all its forms in the counter fraud strategy.

RESOLVED that the report be noted.

Meeting ended 8.38pm

Chair.....