

MINUTES OF THE AUDIT PANEL

Thursday, 12 March 2020 at 7.00 pm

PRESENT: Councillors Jim Mallory, Paul Maslin, James Rathbone, Susan Wise, Carole Murray, Ian Pleace and Stephen Warren

ALSO PRESENT:

Apologies for absence were received from Councillor Joan Millbank and Councillor Stephen Penfold

1. Declarations of Interest

Councillor Wise declared an interest as a Director of Lewisham Homes and a beneficiary of the Pension Fund. Councillor Mallory is also a beneficiary of the Pension Fund.

2. Minutes

The minutes of the last meeting were agreed as an accurate record.

Actions arising from the last meeting:

All actions arising from the last meeting are addressed in this meeting agenda.

The Chief Finance Officer agreed to circulate information and updates on the transparency code, data breach and safeguarding.

3 Oracle Cloud Update

The Director of Financial Services presented this report. He stated the following:

Since go live of first phase, users have been working with the modules and the system has been supported. However, the scale of the changes, the number of modules implemented, the issues arising and the issues outstanding have been challenging for many in the Council and this has hindered progress towards making full use of the system in the ways expected. Change management is ongoing and further work is being done to achieve full benefits of the system.

Oracle Cloud is a Council wide integrated system means that there are many more users and this will increase once payroll and other HR modules go live in March 2020. Once it is operating in full, a fuller report will be produced for the Panel explaining all the features.

To help with practical use of the system, face to face training has been conducted and is ongoing. There are guides and videos that are continuously updated also, as well as drop in session. At some stage, budget holders will have the responsibility to own their budgets and signing them off, without the assistance of the finance team.

The move to Oracle Cloud provided an opportunity to make the coding upgrade on feeder systems a priority and to a large degree has been a significant success with upgrades to feeder files from. However there are unfortunately some feeder files where no progress has been made including Controcc for Children's Social Care. Until these files are upgraded there is the continued impact of maintaining two coding structures and all of the

possibilities for confusion that this can cause. The Controcc system is expected to be updated in June 2020.

Action: Officers to provide an update on feeder files progress- Controcc for CSC and Tribal.

Modules i-Supplier, Advanced Financial Controls, Cash Manager have not yet been implemented and are on hold. The Advanced Financial Controls module has been demonstrated but has been on hold due to other priorities. It needs the input of officer time in order to properly understand the system and evaluate the reports and compare them to the existing system AP Forensics reports. Work on this has now resumed.

RESOLVED the report was noted.

4. External Audit

The external audit representatives presented two reports- the external audit plan and the audit progress report for 19/20.

The Plan in the report laid out key matters regarding the Council and the Pension Fund

The materiality for the Council and Pension Fund was also set out in the report. It was lower than the previous financial year for reasons that the regulator believes that anything higher than 1.5% for a Council of this size is too high, and not a reflection of any deterioration of the Council.

The Value for Money risks include budget management, medium term financial planning and cultural changes. 2019/2020 is the final year of the Value for Money work in its final form. The new code is currently before Parliament and will go into effect, if passed from April 2020. The next financial year would change the scope of the Value for Money work. The external audit representatives stated that the main changes will be that the scope would be wider, including the consideration of the financial sustainability arrangements and how well the Council is using its financial performance data to inform its decision making.

The Children and Young People directorate was highlighted in the report as at most risk and most likely to have the biggest impact on the Council's long term sustainability.

On the basis of the size of the Council and that there is no statutory requirement to deliver the final accounts reports by the end of July, reports should be ready by September.

Addressing the progress report, the last two areas reviewed of the 2018/19 account are the housing benefits return and the pensions return. Both were signed off by the November deadline and there were fewer issues to report than in previous years. The planning and interim work for 2019/20 is on track to be completed by the end of March. The work coded red in the report will be complete by June.

RESOLVED the report was noted.

5. Internal Audit

The Chief Finance Officer presented this report. He summarised the following: The schools plan is near completion but the corporate plan is behind, however both should be completed by June 2020 for the annual assurance report. The progress made

on recommendation has unfortunately not been sustained. The core financials are due to be completed during 19/20, so that going forward, the service can catch up, and start afresh for 20/21. Options on how to procure extra resources are under review but as ever financial constraints, given the market supply pressures, remain a challenge.

In regard to the progress of the schools internal audit plan, the need to continue to track the schools against recommendations has been discussed between the Executive Director of Educational Standards and the Chief Executive. It was agreed that they will continue to be under the review of Governors. The audits are being used and follow ups and progress checks will continue.

The COVID-19 virus threat is an issue as Audit is not a primary Council function so services may be hindered while the risk is ongoing. If audits cannot take place a hiatus may be required.

Resourcing for Internal Audit is still in progress. This is in addition to a lack of specialist auditors. Recruitment to the Head of Internal Audit post is underway but to date with limited success. More options are being requested from the recruitment team, including advertising

The Internal Control Board (ICB), had its last meeting in February. The chief executive agreed that it should be disbanded with the Executive Management Team owning responsibility for internal controls. The Panel discussed that it may be necessary for Members of the Board to undertake training to ensure they are able to sufficiently fulfil the role.

The Panel discussed the outstanding management actions.

Action: The higher risk long outstanding recommendations over 12 months are reported on with management's observations on their plans for implementation going forward. RESOLVED the report was noted.

6. Risk Register

The Chief Finance Officer presented this report.

To identify risk and create the risk register, each service identified their key 5 risks and divided into the categories set out in the report.

The register allows for risk management as the Executive Directors have to account for it through quarterly DMT and EMT meetings. The register is produced anticipating 12-18 months ahead so enables risk management in advance of issue arising.

The Chair suggested that the best approach to the Risk Register is for the Panel to select one or two of the items to interrogate in more detail.

Action: in addition to the Risk Register report, officers should provide information on how risk is being managed on two items; cyber security breaches and ICT infrastructure for the next meeting.

RESOLVED the report was noted

The meeting finished at 8.40pm