

MINUTES OF THE AUDIT PANEL MEETING

Tuesday 15 March 2022 at 7pm

Present: Councillor Rathbone (Chair), Councillor Millbank and Councillor Wise. Independent Members, Stephen Warren and Carole Murray

Apologies: Councillor Gibbons, Ian Pleace

In attendance, virtually: Councillor Sheikh

1. Declarations of Interest

Stephen Warren declared the following interest, stating:

He is a consultant for Public Sector Audit Appointments Ltd that appoints the Council's external auditor, advising on matters relating to the impact of changes in auditing standards. He stated that he has also advised on matters relating to the financial evaluation of tenders and tender documentation- these matters are all of a general nature and not specific to the appointment of Auditors that the Council.

Councillor Wise and Councillor Rathbone declared an interest as directors of Lewisham Homes, should it pertain to any of the items discussed.

2. Minutes

The following amendments were put forward by Members:

- In the second to last paragraph, "could" be changed to "would".
- The Minutes of the last meeting to detail that they were agreed subject to the amendments agreed.

RESOLVED the minutes were agreed subject to the amendments above.

3. External Audit Progress and Update on Recommendations

The Chief Accountant presented the management response to the audit findings reported. She provided the Panel with the following update:

The preparations for the Audit have begun and the completion of the draft accounts is aimed for 30 June 2022 and the final accounts on 30 November 2022.

The Issues and their Recommendations outlined in the Audit Findings report were then discussed.

IT General Controls: It was proposed that the recommendation was marked as completed and that for future projects the recommendation is implemented.

Fixed Asset Register: a review is being undertaken of the assets which have a nil net book value. A paper will be provided to Grant Thornton to support the proposed action.

School bank account reconciliations: the guidance notes for schools were updated and sent to schools so an update will be due at the next Panel meeting on the implications.

Stopped cheques: there were no stopped cheques over 6 months and a review is taken every 3 months.

Section 106 agreements: a large body of work is being undertaken by the relevant teams to reconcile the issue. A progress update will be given at the next Panel meeting.

School finance reconciliations: the process will be reviewed over the next 3 months to determine whether there is an amendment process required.

Cut off testing: significant improvements have been undertaken in previous years and will continue. Reviewing of transactions will take place in April and May and will be sent out to the relevant teams to ensure the appropriate approvals are made for the year.

Pension fund (general ledger for financial reporting): Northern Trust have agreed to work with the team to reduce the number of manual entries that are required and make the adjustments within their system.

Admitted and scheduled bodies: The reconciliation is now undertaken timely and reviewed regularly. Subject to external audit's review, this action is proposed to be closed as completed.

Panel members asked that timescales and accountabilities could be added for the actions outlined in the report.

The Informing Risk Assessment report was then discussed. The external auditor stated the report was for Panel Members to note and discuss whether they are satisfied with managements responses to the general enquiries of management outlined in the report. He discussed the following:

The aim of the enquiries and responses was to identify if there had been any significant changes from the auditor's expectations in regards to the arrangements from previous years and that they are proportionally aligned. If the Audit Panel are in agreement with the responses, they were recommended to endorse them. Members fed back to the auditors that they felt some of the management responses to the questions required more detail and did not provide much information about the relation to the risk management process. The Director of Finance responded that they will provide clarifications to make a more robust document for Grant Thornton to consider.

In relation to fraud risk assessments in the same report where it was noted that all fraud is reported to the Annual Report in June, the Chair asked the Panel if they were satisfied with the report being tabled annually or if a bi-annual basis was preferable. The Head of Assurance stated that as he is overseeing internal audit and counter-fraud, and there is a commitment to provide quarterly internal audit updates to the Panel, he is able to add counter-fraud information to this quarterly report if Members preferred.

The Chair also asked the Independent Members if they were satisfied that there were some estimates outlined in the Accounting Estimates appendix, where management were not using an expert to provide advice. The Independent Members stated that they felt the experts were being used in the correct areas.

Action:

To include counter-fraud information to the internal audit quarterly reports.

To provide clarifications within the enquiries of management responses.

To include timescales and accountabilities of the actions outlined in the Audit findings report.

The External Auditors then summarised the Progress and Sector Update report, discussing the progress update at March 2022, audit deliverables, Value for Money (ready to be delivered to the next meeting), the financial reporting council report and the sector update.

RESOLVED the report was noted.

4. Audit Plan 2022/23 and Q3 Progress

The Head of Assurance presented the Audit Plan report and he summarised the following:

The Public Sector Internal Audit Standards set out how the Head of Audit must compile the audit plan in Standards 2010 to 2030. Part of the process to changing the audit plan was to complete an external quality assessment, which answered that The City of London audits the external auditing. Their report did not come back in time to be brought to the meeting, but it was reported that the audit plan generally conforms to the standards, the detail of which will be brought to the next meeting. Preparing the plan began with the seconded interim Head of Audit. This included a risk analysis led by examining existing risk registers at both strategic and directorate levels. In consultation with Directorate Management Teams, this analysis led to drawing up a series of possible engagements that would focus on the most significant risks identified by the Council.

The proposed Internal Audit Plan was detailed in the report and also set out headline resource allocation between the different tasks set out in the plan. He stated that the aim was to take a broader approach to looking across the Council directorates and also to recognise some of the other tasks that are of value to the Council but had not previously been acknowledged, such as certifying grant claims, providing advice and training, and action follow-up which had been important to the Panel.

It was asked if reducing the time spent on school engagements had affected the funding received from the Department for Education, to which the officer responded that whilst there was still a cyclical approach to the majority of schools, some time aside had been kept to look at schools that, by reasons of change of circumstance or previous audit findings, were particularly noteworthy and require examination. This had been factored into the resource plans so no further changes were to happen as a result.

On the new approach to key financial controls, the Chair stated it was important to make sure that the Panel receives a very comprehensive report about it.

The Head of Assurance then presented to Progress Update report. The following was discussed:

Since the last update to the Panel in December 2021, the following seven engagements were concluded; Capital Expenditure; Client Contributions for Care

Provision; HR Policies (Follow Up); Early Help Service Transformation; Donderry Primary; Baring Primary; and All Saints CofE Primary.

There was also an update on agreed action implementation. The officer stated that there were just 7 outstanding and overdue actions- 6 of these are in the same area of Oracle Payroll controls, of which they are in close communication with the service and the PwC specialists who undertook the audit in autumn 2021. Speaking on the deferred actions, the Head of Assurance stated that he was content to let his predecessor's decision to defer those actions stand. Speaking on new referrals proposed during his tenure, he stated he does not believe these deferrals expose the Council to any additional risk.

RESOLVED that the report is noted.

5. Strategic Risk Register Review

The Head of Assurance presented this report. There were no material changes to note with respect to the scoring on the risk register. He stated that risk reporting should be appropriately engaging and informative and genuinely conveys useful information to Members to help guide in decision-making, so a reforming of the register with the feedback from Members can be expected in the new financial year.

Action: The Panel agreed that the following risks: Failure in Child Safeguarding and Serious Adult Safeguarding concerns will be report on at the next meeting.

RESOLVED the report was noted.

6. Audit Panel PASC Summary 2021/22

RESOLVED the report was noted.

7. Work Programme 2022/23

The Head of Assurance presented this report. He stated that the paper will be shaped to be more specific later in the year, but the report is present to give a forward look at the agendas for the year.

It was suggested by Members to include the Terms of Reference to demonstrate how the Panel is covering all its work and the revised accounts.

RESOLVED the report was noted

8. Exclusion of Press and Public

It is recommended the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12(A) of the Act, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

9: Cyber Security Risk

The meeting finished at 8.45pm.