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MINUTES OF THE AUDIT PANEL

Tuesday, 21 June 2022 at 7.00 pm

PRESENT: Councillors Eva Kestner (Chair), James Rathbone, Rudi Schmidt, Liam Shrivastava and Carol Webley-Brown

1. Election of Chair and Vice Chair

Councillor Eva Kestner was nominated and elected as Chair of the Audit Panel for the Municipal Year 2022/23.

Councillor was nominated and elected as Vice Chair for the Municipal Year 2023/24

2. Minutes

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

3. 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.

4. Statement of Accounts 2021/22 Update & External Audit

The report provided an update to Member on the preparations for the 2021/22 closing of accounts and statutory external audit processes; provided Members with the management action responses to the auditor recommendations made as part of the 2020/21 external audit; discussed the key risks for the 2021/22 accounts; and discussed the 2021/22 Audit Plan produced by Grant Thornton.

The Chief Accountant presented this item and discussed the report as follows:

Statement of Accounts update

The Council are working to prepare draft accounts by 30 June 2022 and publishing audited accounts by 30 November 2022. Once submitted, they will also be published on the Council website and the statutory public inspection period will be between July and August. The final audit is scheduled to take place between July and November 2022, with publication of the final accounts by 30 November 2022.

Recommendations as part of the Audit Findings Report

This section of the report was summarised in Appendix A. A lot of the actions were proposed to be closed, subject to an external audit review later in the year. the

following recommendations were discussed: the bank reconciliation work done for schools, which had vastly improved this year and the recommendations were met; un-presented cheques-a regular review is required to ensure that all cheques over 6 months are stopped as part of business as usual; section 106 grants- there was an issue last year regarding the classification of those and work had been undertaken to ensure that there is reconciliation between the Section 106 recording system (Exacom) to the ledger on an agreement by agreement basis; starters returning signed contracts; lastly, the set up of the general ledger is not conducive for financial reporting and Northern Trust have agreed to amend the data they provide so that it is in line with the Oracle coding structure which would result in far less manual adjustments being required.

Audit Risk Assessment and Audit Plan

This section of the report was included in Appendix B. the Grant Thornton representative summarised the report findings highlighting the risks identified for the audit of the financial statements. He discussed the following:

He discussed the two mandatory risks of every audit; the presumed risk of fraud in every revenue recognition which is limited in nature and the risk of management override of controls- the work to be done on the Council's journals, will address this risk in the Audit.

The valuation of land and buildings is an inherently risky item because it is significantly material and subjective in terms of informed estimates. The Plan in the report also covered the pension fund with the biggest risks being the valuation of level 3 investments. They are not publicly listed and therefore more prone to inherent risks of misstatements. Grant Thornton will undertake work to ensure they are materially accurately stated, as they have in previous years.

The value of infrastructure assets within the financial statements was also discussed. There will be a follow-up this year of what the requirements for assessing the significance of this risk and Grant Thornton will document their understanding of the management process for derecognising infrastructure assets.

The materiality for the Council this year is £17.2m, slightly lower than last year. triviality is £0.86m- this means that any error that is under this figure would be considered trivial, but anything between these two figures would be reported to the Panel. The materiality for the Pension Fund remains stable at £16m.

It was asked what Grant Thornton's opinion was on cut-off test, and whether the Council is in a position where they are comparable to other authorities. Grant Thornton responded that they are still a little behind other local authorities but can offer an update after the cut-off testing work in the summer.

RESOLVED the report was noted.

5. Value for Money 2020/21

Grant Thornton presented this report. The report was summarised as follows:

This was the first year that the Council's VFM work had been considered under the new Code of Practice of the National Audit Office. Auditors are to provide comment on financial sustainability, governance and improving economy efficiency and effectiveness. Across these areas, no significant weaknesses in the Council's arrangements had been identified. Some improvement recommendations were identified, which built on the existing arrangements the Council has in place.

In terms of financial resilience, it was said the Council managed its finances well in 2021, reporting a small overspend. The key areas of improvement were, continuing the work in understanding activity and associated costs of general fund placements, and also educational needs and disability costs across the Children and Young People's directorate. Systems used by social care staff are also being improved.

Grant Thornton found good governance arrangements in place that are being properly adapted by the Council as a response to the pandemic.

It is recommended the Council streamline and centralise risk management processes, making it more consistent across the Council. They also recommended more reporting on the actions and progress on the Council subsidiaries, Lewisham Homes and Catford Regeneration Partnerships Ltd.

It was asked that, as we are now at 10% inflation, to what degree does the rise affect the recommendations from Grant Thornton on VFM, particularly around sustainability and the Council's ability to deliver savings, when costs in all areas are going to be increasing. The response was that it would be a part of their considerations that they would like to see a dynamic response from the Council in reprioritising the necessary areas as cost pressures rise and how realistic the plans are in response to that.

It was also asked how does Lewisham's financial resilience compare to other Councils. The response was that there was not too much concern in a period of stability and Lewisham is relatively well placed to weather the increased uncertainty that is coming its way.

RESOLVED the Panel noted the report.

6. Internal Audit Annual Report 2021/22 and Progress Update

The Head of Assurance presented this report which outlined his annual opinion for the year 2021/22 on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control. He summarised the report, stating the following:

He stated he was satisfied that the internal audit service has had complete and unfettered access to people and properties throughout the year so the work has not been restricted. The audit service has acted with independence throughout the year. In the coming year, he will be looking at how this differs to the Head of Audit's role as he undertook this role a lot later. He is also satisfied that the work done this year has met the necessary standard as required.

Internal Control

He was satisfied that during the year ended 31 March 2022 the Council managed its internal controls to offer satisfactory assurance on their adequacy and effectiveness. He noted some persistent control weaknesses in the operation of control account reconciliations, procedural documentation and evidencing control function. He added that these matters were discussed with the Council's EMT and recommended they be included within the Annual Governance Statement along with a plan to improve compliance.

Framework of Governance

He was satisfied with Council's framework of governance for the year. He thanked Members of this Panel and the Council's Executive Management Team for their efforts in supporting compliance with fulfilling agreed actions arising from audit report.

Risk Management

He was satisfied with the risk management arrangements at the Council for the year ended 31 March 2022 are effective and provide satisfactory assurance. He stated there was room to develop the Council's risk approach to include its reporting, comprehensiveness and integration with wider decision-making. He had discussed these matters with the Council's EMT and recommended they be included within the Annual Governance Statement.

There were a relatively high number of process engagements by the year end 2021 but there was nothing underlying that would alter his opinion. The work is progressing well.

Commenting on Quality Assurance and Improvement Programmes in the audit service, the Head of Assurance identified a range of areas to improve both actual conformance and how we document to demonstrate conformance: greater emphasis on planning; shorter, more specific actions; and new reporting templates.

The special investigation work carried out by A-FACT covers allegations involving employees, contractors, business rates, grants, blue badges and financial irregularities within or against the Council. Housing investigation work covers fraudulent applications and the team conduct investigations into subletting on behalf of our partners Lewisham Homes and several RSLs. The team had also supported different teams in setting up and processing the various grants available during the pandemic. The aim was to ensure that while monies were distributed to businesses as soon as possible, it was within the framework of fraud controls. A full account of this work will be available in September as the work is currently still ongoing.

It was asked what structure were in place to ensure prevention of fraud as opposed to reactive reporting of anti-fraud work. Core risk-assessments will continue to be carried out throughout the year ahead of new initiatives and promote whistle-blowing services.

RESOLVED the Panel noted the report.

7. Internal Audit External Quality Assessment

The Head of Assurance introduced this report. The report set out the conclusions of the City of London Corporation-led external quality assessment of the Councils internal audit service's conformance with Public Sector Internal Audit Standards.

The Head of Audit for the City of London presented and summarised the report. The assessment concluded that Lewisham generally conforms to the Standards. He had assessed against 145 criteria and Lewisham's internal audit function conforms to 132 of those.

It was also observed that Internal Audit has good engagement with the Executive Management Team; reporting regularly on the outcomes of Internal Audit work and, from stakeholder consultation, it was established that the function is well regarded. Some challenges around management implementation of Audit recommendations were identified and it was advised that the Head of Assurance may wish to consider introducing a more robust challenge and escalation as part of the Audit follow-up process.

The Head of Assurance stated he will report his self-assessment of conformance with the standards at a future meeting.

RESOLVED the Panel noted the report.

8. Corporate Risk Register Update and Safeguarding Risks Review

The Head of Assurance presented and summarised this report. The following was discussed.

The current Risk Management Strategy runs from 2017-2022. A refreshed Risk Management Strategy is currently being worked on with the key areas of improvements being: Increased currency to risk reporting information; more available information in more useable reporting; easier information management; a comprehensive overview of risk at the Council.

A revised Risk Management Strategy will come to the December Panel meeting.

Referencing the risk register in the appendix to the report, it was asked if there will be some mitigation plan in response to the risks 1B1 and 4A2 which increased from Amber to Red.

The Panel agreed to have these two risks brought to a future meeting (December) to be interrogated further, where the risk owners would issue a response.

The Safeguarding Board Manager presented the Adult Safeguarding Risk Review appendix. He discussed the following:

He highlighted the role of the Adult MASH- to provide a timely and consistent approach to the management of safeguarding concerns relating to vulnerable adults in Lewisham, and the decision to progress to a Section 42 Safeguarding Enquiry. It was created in June 2021 and was the biggest change to adult

safeguarding procedures. They had also been a recent change in management, so it can be said that the MASH team are still settling in.

The report highlighted the several safeguarding enquiries linked to adult mental health in Lewisham and the Council received a higher number of safeguarding enquiries compared to other boroughs. The enquiries are delegated to different teams- Risk Assessment- the MASH will triage to determine whether to refer it for enquiries under the London ADASS safeguarding adult's procedures; Section 42 Enquiry, Neighbourhood, AWLD, Safeguarding Quality assurance Services; and Case closure- the responsible team coordinating the safeguarding enquiries will complete the case closure and making safeguarding personal questionnaire which is completed with the adult at risk at the conclusion of the enquiries.

There is a series of audits delivered within each of the calendar years and a wider programme of audits enacted within a 2 to 3 year period. CQC will recommence inspections of Local Authority Adult Social Care departments which will take place annually.

The annual assessment of overall performance has just been completed. Some work improvements need to be done on the closure stage of safeguarding enquiry work. Training and the amendment of IT systems also needs to be strengthened. All services and workers at all levels are expected to participate in the planning and implementation of a series of thematic audits, aligned with the statutory functions of ASC, and ongoing quarterly audits alternating between practice standards and safeguarding, aimed at promoting a culture of openness and continuous self-assessment and improvement.

Members commented that there was not enough detail about preparation and mitigation work and the impact of when a safeguarding failure occurs in the report. The presenting officer responded that much of that work, including reviewing, is ongoing so they could not be detailed in the report. It was also asked if the audit looks at how the Council communicates with vulnerable adults. The officer responded that individual cases and needs must be taken into account. Equality duty and engagement are key components of adult safeguarding and are reviewed alongside advocacy.

It was asked what recommendations came forward from the internal peer review. As the information was not at hand for the meeting, it was agreed that there would be follow-up from the adult-safeguarding team

RESOLVED the report was noted.

9. Audit Panel Work Programme

The Head of Assurance presented this report.

It was agreed that a report summarising the changes on guidance for auditors from CIPFA would be brought to the next Panel meeting.

It was also suggested and agreed that the work programme shows links to the Panel's Terms of Reference in future.

RESOLVED the report was noted.