

MINUTES OF THE AUDIT PANEL MEETING

Tuesday 14 March 2023 at 7pm

PRESENT: Councillor Kestner, Councillor Rathbone, Councillor Shrivastava, Councillor Webley-Brown

Also Present: Stephen Warren (Independent Member)

Apologies: Councillor Schmidt and Councillor Sheikh

1. Minutes

The Minutes of the 6 December 2022 were agreed.

2. Declarations of Interest

Stephen Warren declared interest in undertaking work for PSAA Ltd that appoints the Councils external auditor.

3. External Audit Update

- 3.1. The Chief Account opened the presentation for this report. She stated the following:
- 3.2. The report provided an update on the external audit for 2021/22 and the progress undertaken to date on the 2022/23 statement of accounts and the interim audit.
- 3.3. Grant Thornton then provided a brief update on the 2021/22 external audit and stated that the audit is nearing completion and most of the file has been reviewed with sign off expected by the end of March.
- 3.4. The Chief Accountant continued, stating that preparations are starting for the interim audit for 2022/23 and that a draft statement of accounts will be produced by the end of June. The statutory deadline is the end of May; however, the decision was taken as an organisation to aim for June, in line with other London boroughs and the LGA. Some of the reasons for this were because of Council and audit capacity.
- 3.5. Based on last years audit, a lesson learned session was undertaken, which officers were present for to give their feedback on how they think the 2021/22 process worked as a result a few changes in process have been made. This includes some additional training to meet some of the recurring recommendations that have arisen over the years, so the team are confident to continue the journey of continuous improvement.

- 3.6. The audit findings report recommendations were outlined in the report. The following was discussed:
- 3.7. Grant Thornton were able to close off several the recommendations, while some new ones had been put forward which management accepted and provided responses for, and actions plan for completion for the 2022/23 audit.
- 3.8. Improvements have been made on the cut-off testing over the last few years. Capital training for project managers has also been taking place. Section 106 work is also a part of the continuous improvement.
- 3.9. Regarding the recommendations around Value for Money, the majority have also been closed, as outlined in the report, as well as the new recommendations for this year.
- 3.10. Each of the recommendations has a responsible senior officer and both the recommendations and action plans have been shared with members of the Executive Management Team. These are a standing item and so will be continuously monitored.
- 3.11. It was asked by Members why it was not possible to reconcile Exacom system to the general ledger, as was addressed in the report. It was also asked if Oracle recruiting cloud is now live. The Officer responded to the first question that, the process is ongoing and has not been done in a while so there will be a few years that have to be reconciled which gets more difficult the further back. They start with the newest ones and look at the amounts for Exacom and time them back to the receipts within the general ledger. The control figure within the general ledger is correct because that relates to real cash that has been received. A decision must be taken to match Exacom to the general ledger and use the lessons learnt to ensure that this does not occur again.
- 3.12. To the second question, she responded that the implementation is almost complete, and they will be rolling out training for managers for support.
- 3.13. It was agreed that a more comprehensive Part 2 report on the IT critical incident would be table at the next meeting. It was also agreed that as part of an all-Member briefing or training that will provide some knowledge and explanation of the systems and work of Audit Panel.
- 3.14. It was also asked what the nature of the cut off testing was: who was undertaking it and what were the results. It was responded that there had been focus sessions specifically for project managers to share some of the areas that are of best practice, ensuring they are meeting the deadlines and sharing guidance with them throughout.
- 3.15. The Corporate team will be undertaking some of the cut-off testing themselves, in advance of the auditors doing their cut-off testing to pre-empt some of the areas where some issues may be found.

- 3.16. It was noted that further detail of the progress of the actions be implemented in officer reporting.
- 3.17. It was asked what mechanisms and processes are followed to ensure that the section 106 agreements are fulfilled in terms of the Exacom transactions. The officer responded that the Exacom system contains details around the conditions of the section 106 contributions that have been received, which then enables tracking of expiry dates and conditions of use.
- 3.18. It was asked of Grant Thornton, what the details were around transferring of knowledge to new auditors, for 2023/24. They responded stating that there will be a handover arrangement in place between auditors which will include the incoming auditor having access to all reports and there will be discussions of GT's knowledge and experience with the Council, areas of risk, history, the recommendations, and the action tracker. The incoming auditors would also want to look at their audit file, getting assurances from the opening balances in the accounts and areas of significant risks. GT will work with PSAA guidance in that handover and will update the Committee in due course around details of the handover.
- 3.19. When asked about the financial statements, when Lewisham Homes is brought in house, the officer responded that the result will be that the main council statement of accounts will include elements of Lewisham Homes that have been insourced. The group statement of accounts will include CRPL Catford Re-gen Partnership, and the balance of Lewisham Homes
- 3.20. It was noted that KPMG will be the next external auditors under the PSA contract award, who are currently Lewisham Homes' auditors
- 3.21. RESOLVED, that the report was noted.

4. Internal Audit Plan and Progress

- 4.1. The Head of Assurance presented the report and discussed the 2023/34 Plan. The following was discussed:
- 4.2. He listed what the current public sector internal audit standards require, when compiling a plan. Firstly, to undertake a risk assessment of the Council as a whole, looking at which areas pose a threat to the year-end assurance opinion. The risk assessment done at the end of 2022 involved assessing 190 different areas of the Council's activity, which then shapes the audit plan.
- 4.3. He continued that the available resources must also be considered; are there sufficient resources to complete the risk assessment. The level of resource measured by the number of days available to the audit team, which is estimated at 820 this year.
- 4.4. The Officer stated that as Lewisham Homes will be becoming a part of LBL's audit, he has been over the Lewisham Homes audit plan and is satisfied with

its content. The Panel will see, towards the end of the year, the reports integrated.

- 4.5. The report detailed the audit engagement plan. He stated that the assurance exercise would be useful in guiding the overall assurance, that he will report on at the end of the year.
- 4.6. There is focus on a more diverse audit plan. 75% of more of the audit plan was focused on financial systems in schools, often to the exclusion of the scope of the Council's activities- that has been changing over the years, where now 45% looks at these areas and more that half of the plan is looking at activities across the directorates.
- 4.7. The report also detailed the 2023 progress update. It was found that the Council is not consistently receiving the information it requires through to its central oversight for it to do its job effectively. This was highlighted in the recommendations.
- 4.8. The officer projected that all projects detailed in the report will be completed in time to give the annual opinion in June.
- 4.9. The work on child safeguarding, as discussed and previous meetings, was in preparation when Ofsted required an assessment of the same area. the work was withdrawn while waiting for Ofsted's conclusions which were published at the end of January and was broadly positive. As it covered all the areas the assurance team were looking at, they did not proceed.
- 4.10. Regarding the completion of agreed audit actions, 45 actions were outstanding at the end of February, none of which, the officer said, were individually areas of concern. In almost all cases, the officer projected completion within the next couple of months.
- 4.11. It was noted that the summary of the contract management report was brief, and the officer agreed to take that on board.
- 4.12. It was asked what the risks were of using another organisations work, in this instance, Ofsted's child safeguarding inspection, instead of the Council's own. The officer responded that there are risk in any reliance-based exercise but weighed against the risk of time spent repeating work, there is an opportunity risk of losing valuable time that could be spent on work elsewhere. It is also a cost-effective way of providing assurance to the Panel.

5. Corporate Risk Register

- 5.1. The Head of Assurance provided an update to the corporate risks for the Q3 period.
- 5.2. He stated that there has not been any significant movement as effectively it had only been a month on from last report. There had been some movement

in the actions and measures, as reported, but similar to what had been reported previously.

- 5.3. The Council's EMT gave the greenlight to move forward with the new Risk Management Strategy. It retains scoring and identification, but significantly streamlines the process. The strategy was included in the report.
- 5.4. As the Council has a new Corporate Strategy, the officer stated that this was a good time to look at corporate risk. There will be risk identification workshops held with senior leaderships of the Council.
- 5.5. It was asked if the new strategy would pick up the acceptance of risk, to which the officer responded that it would.
- 5.6. It was asked what the process for identifying the risks for when Lewisham Homes comes inhouse. The officer responded that Lewisham Homes has their own risk management process which will need to be aligned as the year goes ahead.
- 5.7. RESOLVED that the report is noted.

6. Report on work of the Audit Panel

- 6.1. The Head of Assurance presented the report which was a summary of activities of the Audit Panel throughout the year with the intention that it fulfils the constitutional requirements as it stands.
- 6.2. The Panel agreed that it was a fair summary.
- 6.3. RESOLVED the report was noted.

7. CIPFA Audit Committee Guidance

- 7.1. The Head of Assurance presented this report. The guidance came out in October 2022 and was circulated to Panel members in December.
- 7.2. The new guidance insists upon Independent Members joining the Panel. Some of the requirements include a self-assessment for members to complete; and to recruit additional independent members (2 are recommended).
- 7.3. The Panel agreed that 3 independent members would be better, 2 as the minimum, as they can be very useful in this area and that recruitment should be a priority.
- 7.4. It was also noted that the Panel's Terms of Reference should continue to draw from the CIPFA guidance.

- 7.5. Stephen Warren stated that he will be stepping down from his position of this Panel, but will remain in post until a replacement is found. The Chair and Members thanked him for his time and work on the Panel.
- 7.6. RESOLVED that the report was noted.