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MINUTES OF THE AUDIT AND RISK COMMITTEE

Wednesday, 11 September 2024 at 7.00 pm

PRESENT: Councillors Eva Kestner (Chair), James Rathbone, Mark Ingleby, and Luke Sorba.

CO-OPTEE PRESENT IN PERSON:
Andrew Jones – Independent Member

CO-OPTEE PRESENT REMOTELY:
Mark Hugh McLaughlin
Marcus O'Toole

OFFICERS PRESENT REMOTELY
Terence Madgett (Chief Accountant)

OFFICERS PRESENT IN PERSON: David Austin (Executive Director for Finance, Digital and Corporate Resources); Katharine Nidd (Acting Director of Finance); Rich Clarke (Head of Assurance); and Jasmine Kassim (Senior Committee Manager).

OTHERS PRESENT REMOTELY
Amy Illidge – Senior Audit Manager - KPMG, External Auditors.

An apology for absence was received from Councillor Billy Harding.

1. Election of Chair and Vice Chair

It was MOVED, SECONDED and RESOLVED that Councillor Eva Kestner be appointed as Chair and Councillor Bill Harding as Vice of Chair of the Committee for 2024/25 municipal year.

2. Minutes

RESOLVED that the minutes of meeting the Audit and Risk Committee held on 6 December 2023 be confirmed as an accurate record.

3. Declarations of Interest

No interest was declared at the meeting.

4. 2023/24 External Audit Plans and Update from KPMG

4.1 The Committee received a report presented by the Senior Audit Manager from KPMG on the 2023/24 external audit plans, and it noted the following.

- The plan highlighted KPMG's assessment of significant risks for the 2023/24 external audit. The Senior Audit Manager clarified:
 - That, in general, the significant risks in the report represented presumed risks rather than those specific to Lewisham. Nonetheless, the auditing standards required that their assessments should form part of the audit planning.
 - That the sole specific element was related to the Housing Revenue Account (HRA) reserve because of falling HRA balances and pressure experienced by the Council on HRA expenditure.
- Refining of the external auditor's timetable for the audit, including the pension fund. The Senior Audit Manager clarified:
 - That the external auditor's report to the October meeting of the Committee would focus on value-for-money risk assessment, and an audit update of Lewisham Homes' accounts.
 - That the external auditor would report on completed work on the main Council audit at the December meeting of the Committee.
 - That the external auditor would apply the same audit procedure to examine risks associated within the Council's Pension Fund .
- Update on progress for the financial statements audit and value for money work. The Senior Audit Manager clarified:
 - That work had commenced over most areas of the financial statements as part of the external audit, and there had been good progress with the sample selection.
 - That the external auditor would complete work on significant risk in the next few weeks and thereafter complete some procedures in relation to the non-significant risk areas in time for a report back to the Committee in December 2024.
- Value for money opinion. The Senior Audit Manager clarified:
 - That as part of the ongoing review on adult and children social care, HRA and financial sustainability, more work would be required, including holding interviews with key members of the Council's Executive Team on initial risks assessment to report back to the next meeting of the Committee.

4.2 The Committee asked questions and noted responses on the following matters:

- External audit work in Lewisham when compared across the sector. The external Senior Audit Manager clarified:
 - That at the planning stage of the audit work, the findings highlighted that risks in the London Borough of Lewisham were typical to those identified nationwide.
- Reasons for a slippage in the original timeline of Lewisham's audit cycle for 2023/24. The Senior Audit Manager clarified:
 - That KPMG, as a new external auditor for Lewisham, realised that additional time helped its officers to assess what would be material in the Council's financial statements, and how those areas should be tested.
 - That KPMG's audit approach had to be adjusted to account for delays in getting samples from schools during the summer break in July.
 - That there were delays in relation to Trial Balance mapping to detailed transaction listings due to different requirements from KPMG compared to the previous auditors that required the Council to have new reports written by the Oracle support team that were then run and checked by Finance.
- Ethical investment considerations when auditing Lewisham's Pension Fund
 - That unless there was a significant impact on value for money linked to performance, any ethical dimension to investment decisions would be outside the remit of the external auditor's work.

4.3 The Acting Director of Finance commented on the response about the Council's Pension Fund by highlighting:

- That the overriding fiduciary duty is to protect the assets of the Council's Pension Fund to meet the longer-term liabilities of its members and is overseen by the Pension and Investment Committee.
- The assets which held the Council's Pension Fund should aim to be sufficient to meet the long-term liabilities of its members. However, decisions would have to be taken within the context of the Council's Investment Strategy Statement (ISS).

- That policies, objectives and targets existed for determining how to manage within parameters of the Pension Fund to complement the requirements of the Council's ISS.

RESOLVED that the report be noted.

5. External Audit Update 2023/24

5.1 The Committee received a report presented by the Council's Chief Accountant, and it noted:

- Update on progress in relation to the 2023/24 External Audit of the Council's Statement of accounts.
- Update on progress in closing the Council's open audit recommendations from previous years' audits.

RESOLVED that the contents of the report be noted.

6. Value for Money - Management responses to recommendations made in 2022/23 Auditor's Annual Report

6.1 In his presentation to the Committee, the Council's Chief Accountant presented an update report relating to management responses to the value for money recommendations to the Council, which were part of the 2022/23 Auditor's Annual Report.

6.2 The Committee noted the report. It was clarified that when the details were presented to Members in December 2023, there was not enough time to consider all the recommendations outlined in Appendix A in the report.

RESOLVED that the contents of the report be noted.

7. Annual Internal Audit Opinion 2023/24

7.1 The Head of Assurance presented his annual opinion for the year 2023/24 to the Committee.

7.2 The Committee noted the report and welcomed the following submissions:

- Some work was ongoing, but the Head of Assurance was satisfied that sufficient work had been completed and published to support his opinion on the conclusion of the adequacy and effectiveness of the Council's framework of governance, risk management, and internal controls.
- That the Head of Assurance was satisfied with his opinion that the Council had adequate and effective arrangements, although there were some commentaries which the Council should consider when addressing in its Annual Governance Statement.

- That the Council's Internal Audit Team completed its work independently, and free from undue influence of officers or elected Members and in compliance with the Public Sector Internal Audit Statement requirements.

7.3 In their discussions, the Committee raised questions on aspects of the report and noted the following responses from the Head of Assurance:

- Voids Management and Food Safety
 - Of the five limited assurance reports included in the report, there were no summaries for voids management and food safety because those were considered by the Committee in December 2023.
- Record Keeping
 - That reason for reporting about the quality and consistency of the Council's record keeping was because the issue was a recurring finding in relation to compliance.
 - That the Council had diverse processes, but no prescribed method of retaining or archiving information. Notwithstanding, the expectation remained that the Council should have regard to improving its record keeping and information management.

RESOLVED

1. That that the Head of Assurance's annual opinion, be noted.
2. That the work informing the Head of Assurance's opinion statement and its independent completion in conformance with the Public Sector Internal Audit Standards, be noted.

8. Internal Audit Plan for 2024/25

- 8.1 The Head of Assurance presented a report to the Committee on the proposed Internal Audit Plan for 2024/25.
- 8.2 The Committee noted the report, and clarification that the delays in the timeline of engagement and decision-making were because of the recent elections.
 - 8.2.1 The Committee understood that the approach to developing the Audit Plan, and evaluating and using available resources was because work relating to the Head of Assurance's Opinion on the Council's governance, risks management and internal control.

8.3 The Committee raised questions on aspects of the report and noted the following responses from the Head of Assurance:

- IT Application security:
 - That Internal Audit would assess whether the Council's risks were appropriately managed.
 - That the particular focus on the Single Sign On functionality was because of its central position as a control underpinning secure access to various council applications.
- Audit assurance controls relating to education health care plans (EHCPs):
 - That Internal Audit would not examine effectiveness of EHCPs or determination of appeals as these are specialist areas outside internal audit's expertise (and more properly in the scope of Ofsted's work). Rather, internal audit's work would be focussed on process and control effectiveness, including compliance with the Council's own policies and procedures.
- Effective control:
 - That effective control referred to arrangements for achieving the objectives of the Council in accordance with the relevant legislation and regulations, while maintaining risk at acceptable levels.
 - Internal audit will typically use the same evaluation criteria as adopted by management but may select more challenging criteria where needed to address risk. This approach would include how internal audit evaluate controls aimed at monitoring budget and controlling spend.

RESOLVED that the 2024/25 Internal Audit Plan be agreed.

9. Corporate Risk Register Update September 2024

9.1 The Committee noted the content of the risk register update report presented by the Head of Assurance.

9.2 The Committee also made the following suggestions:

- That the Committee could consider which deep-dive reviews would be appropriate in the following area for consideration in the next two meetings, considering the timings of the external audit, and work on the statement of accounts. Potential areas might include:

- Housing stock;
- Employee morale in relation to staff retention;
- Child safeguarding;
- Income collection; and
- Debt collection.

RESOLVED that the report be noted.

The meeting closed at 8.33pm

Chair