

LONDON BOROUGH OF LEWISHAM

Minutes

MINUTES of a meeting of the AUDIT PANEL, which was open to the press and public, held on TUESDAY 18 JUNE 2013 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7:00p.m.

Present

Councillor Peake (in the Chair), Councillors Ingleby and Mallory.

Independent Members

Paul Dale
Mike Robinson
David Webb

Grant Thornton

Jamie Bewick
Darren Wells

Manager Public Sector Assurance
Director for Assurance

Chris Harris

RSM Tenon

Officers

David Austin
Andreas Ghosh
Richard Lambeth
Janet Senior

Interim Head of Audit & Risk. (not present for Item 3)
Head of Personnel & Development
Group Finance Manager- Accounting and Capital
Executive Director for Resources & Regeneration

Apologies were received from Councillors Harris, Ibitson and Richard King.

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1.	<u>MINUTES</u>	
	RESOLVED that the Minutes of the meeting of the Panel held on 27 March 2013, which was open to the press and public, be confirmed and signed as a true record of the proceedings.	
2.	<u>DECLARATIONS OF INTERESTS</u>	
2.1	Paul Dale declared a non prejudicial personal interest in Item 3 as an Interim consultant at the London Borough of Merton.	
3.	<u>PAY ARRANGEMENTS FOR CONSULTANTS AND SENIOR</u>	

INTERIMS

- 3.1 The Head of Personnel & Development introduced the report. The Chair asked whether the Council was paying interims too much. The Head of Personnel & Development stated that the Council has a neutral vendor arrangement with Reed, and the contract was to ensure that rates drop, and currently the rates were in line with the market.
- 3.2 Councillor Mallory asked why the Council does not have the information of whether these interims were being paid by a Private Service Company or otherwise. The Head of Personnel & Development said that if the interims were employed by an agency the Council would not immediately be aware of this. Councillor Mallory said that he was concerned that officers do not try to ensure they were aware of the facts before the appointment. The Head of Personnel & Development said that officers could try and get this information although they were not technically the employer of the interims. Councillor Mallory said this issue should be explored further. Head of
Pers. &
Dev.
- 3.3 Councillor Mallory asked why the Fire Safety Assessment Area has an interim without a projected end date, and was told by the Head of Personnel & Development that the Fire Safety Adviser role was a specialist role and was on a part-time basis and has not got an end time because of the nature of the job. He added that the role was required, but the Council could not afford it on a full-time basis. Councillor Mallory said that Panel Members need to know how much each interim was costing the Council. The Head of Personnel & Development stated that this information could be provided. Councillor Mallory said the key information would be the overall cost to the Council. The Head of Personnel & Development said that this information would be provided. Head of
Pers. &
Dev.
- 3.4 Mike Robinson said that the numbers went down to 24 Interim Consultants in April 2012 only to be up to 32 in April 2013, and this should be described as a slight increase, he added that the increase seemed significant and asked whether this would go down or continue to increase. The Head of Personnel & Development said that he could not predict this especially with the constant restructuring of the organisation. He added that the Council have been able to maintain a low figure, peaking at 55 and the lowest being 24. He said that he thought the fluctuation would continue. He informed Panel Members that if the numbers were in danger of reaching the same levels as in 2011, he would expect Managers to alert him before this happened.
- 3.5 Councillor Mallory asked whether there was any proof that using

consultants reduce redundancy costs. The Head of Personnel & Development stated that the rates the Council pay to consultants were not as high as redundancy payments. Councillor Mallory said that this would be assuming officers were made redundant, as they could have moved to other jobs. The Head of Personnel & Development informed Panel Members that most Managers would say they were expecting to go through a re-organisation, and would not wish to employ staff who would subsequently be made redundant.

3.6 Councillor Mallory asked if all BSF related jobs would go soon. The Head of Personnel & Development said that there was also a capital programme to consider, but officers would be looking at the market and making calculations. Councillor Mallory asked if it was likely that similar skills would be needed, which could result in the Council retaining the same people. The Executive Director for Resources & Regeneration said that the skills would not necessarily be the same. She said currently with the Capital Programme, some of the work with the schools could be similar, but with the new PFI's the skills would be different, and the Council would be looking at recruitment at Director level for the schools programme, and there would be permanent jobs.

3.7 David Webb said that when they had first looked at a similar report in the past Panel Members were told that Interims were a necessity because of the grade and calibre of people the Council need to attract, he asked if the situation has changed. The Executive Director for Resources & Regeneration said that this issue was still of concern, but officers would review this. Councillor Peake thanked officers for the report.

RESOLVED that the report be noted.

4. AUDIT PLAN 2012/13

4.1 Darren Wells, Director for Assurance, Grant Thornton introduced the report.

4.2 Councillor Peake commented that most of the information in the report had been covered at the last meeting, and asked how far would Grant Thornton's approach differ from that of the Audit Commission. Mr Wells informed the Panel that where the Audit Commission focused on controls, Grant Thornton understood the control environment, and would do more substantive tests.

4.3 Councillor Mallory asked how Grant Thornton would deal with some of the risks mentioned in the report, and was told that they would work their way through them to understand the way

systems in the organisation were designed, Mr Wells added that Grant Thornton does not think there would be material error. Councillor Mallory asked about the housing revenue, with large areas where the transactions have not been recorded. Mr Wells said that this would be a potential risk.

- 4.4 Mike Robinson said that the Audit approach would entail more focus on risk inherent in the system, and testing relating to this. As there would be a risk that something might happen, and tests would be done to ensure it would be alright. Mike Robinson stated that he was pleased to see that on looking at page 19 the inherent risks assessments and the risk misstatements were low and this tallied with the other report, which showed there was consistency. Mr Wells said his team would be focussing on areas with high risk.

RESOLVED that the report be noted.

5. AUDIT PROGRESS REPORT – JUNE 2013

- 5.1 Mr Wells introduced the report and highlighted that they have managed to reduce the fees for the Council's audit by 40%, and the fees they were proposing for 2013/14 would be the same as that of 2012/13.

RESOLVED that the report be noted.

6. PENSION FUND AUDIT PLAN

- 6.1 Mr Wells introduced the report and informed members that the approach Grant Thornton would be taking was similar to that of the main audit. He informed the Panel that sample selections would be taken for assessment to ensure they were correct and complete.

RESOLVED that the report be noted.

7. PRE AUDIT STATEMENT OF ACCOUNTS

- 7.1 The Group Finance Manager, Accounting and Capital introduced the report.
- 7.2 David Webb asked whether there was a correlation between the number of full time staff going down and that of Consultants going up. The Executive Director for Resources and Regeneration stated that there was no direct correlation, there was ongoing review of staff at senior level and Interim Consultants were being appointed and some were also leaving.

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She added that the figure of Interim Consultants would continue to fluctuate between 24 and 28. David Webb then asked what had caused the increase in long term liabilities, and was told by the Group Finance Manager, Accounting and Capital that this was because the liabilities of new PFI schemes would be added on when the assets become operational. Once all the new PFI schemes are operational, no more liabilities would be added on.

- 7.3 It was brought to officers' attention that Councillor Ingleby's and Councillor Feakes interests, as recorded in the Register, had some inaccuracies which needed to be amended. The Group Finance Manager, Accounting and Capital apologised for the error, and the Executive Director for Resources and Regeneration said that the information would be checked and amended accordingly. Panel members congratulated officers for completing the accounts on time.

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Reg.

RESOLVED that the report be noted.

8. ANTI FRAUD & CORRUPTION TEAM UPDATE

- 8.1 The Interim Head of Audit & Risk introduced the report. David Webb praised officers for the very good work they were doing, especially with reduced resources.

RESOLVED that the report be noted.

9. INTERNAL AUDIT UPDATE

- 9.1 The Interim Head of Audit & Risk introduced the report.

- 9.2 The Chair said he was concerned that there was still difficulty in getting information for the IT Strategy, and asked whether this was because Management was being unreasonable. He added that he was conscious that the Head of IT Services had been to the Panel before to deal with Panel Members' concerns. The Interim Head of Audit & Risk stated that the work was delayed in part because of other priorities in IMT and that the officer who was responsible for that task had now left the Council.

- 9.3 The Executive Director for Resources and Regeneration informed Panel Members that there had been a delay because the unit had gone through a re-organisation and had lost 20% of their staff which was a significant number. She added that a draft had now been prepared this would go through the formal review process before it was finalised. The Chair asked whether officers were confident that the IT Strategy would now be undertaken this year and was told it would be done.

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9.4	Councillor Ingleby asked whether the new IT contractual arrangements would need a new team to start the process. It was noted that a new team would not be necessary as this process had been in place for two years with Bromley and it was not a new arrangement. The Interim Head of Audit & Risk stated that audits would generally be added or taken off the plan, and the audits tend to be for activities that were more risky and not part of the core financial reviews.	
9.5	The Executive Director for Resources and Regeneration said that the issue around Information Technology was because of database security requirements the Council was going through changes currently to ensure they are all caught within the strategy.	
9.6	Paul Dale said he was concerned that the issues raised on page 228 of the report was substantial as he was aware that a lot of London Boroughs practice a policy of zero tolerance. The Executive Director for Resources & Regeneration stated that the Council has to meet the code of connection and reaccreditation requirements. She added that there were a number of things the Council was putting in place to ensure compliance with the controls framework. The Executive Director for Resources stated that the Council has a Business Continuity Plan for ICT, but in some cases they were misaligned to Service priorities, but officers would ensure they align again. This is monitored through the agreed internal audit recommendations.	Int. Head of Audit & Risk
9.7	Councillor Ingleby asked whether the work on Adult Social Care has been finalised, and was told that out of the seven remaining audits there were four still to be completed, and these would be reported to the September meeting.	Int. Head of Audit & Risk
	RESOLVED that the report be noted.	
10.	<u>ANNUAL ASSURANCE REPORT FOR 2012-13</u>	
10.1	The Interim Head of Audit & Risk introduced the report. It was noted that this would be the last annual report that would be prepared in compliance with the requirements of the CIPFA Code. From 1 April 2013 the new Public Sector Internal Audit Standards (PSIAS) would be in place.	
	RESOLVED that the report be noted.	
11.	<u>EXCLUSION OF THE PRESS AND PUBLIC</u>	

RESOLVED that under Section 100(A)(4) of the Local Government Act 1972, 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 paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to information) (Amendments) (England) Regulations 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

- 11.1 The following is a summary of the item considered in the closed part of the meeting:

INTERNAL AUDIT PERFORMANCE

- 11.2 Panel members had discussions with the Contractor, and then the Executive Director of Resources and Regeneration and the Interim Head of Audit & Risk about the performance of the current contractor and the options open to the organisation.

The meeting ended at 9.25p.m.

Chair