

# MINUTES OF THE AUDIT PANEL

Thursday, 19 March 2015 at 7.00 pm

PRESENT: Councillors Helen Klier (Chair), Simon Hooks, Mark Ingleby, Jim Mallory, Jonathan Slater and King

ALSO PRESENT: Jamie Bewick, David Austin, Selwyn Thompson and Julie Hetherington

Apologies for absence were received from Councillor Chris Barnham and Paul Dale

## 1. Minutes

RESOLVED that the minutes of the Panel held on 19 November 2015, which was open to the press and public, be confirmed and signed as a true record of the proceedings.

## 2. Declarations of Interests

None.

## 3. Update on 2014/15 Closing of Accounts and External Audit

The report was introduced by the Head of Financial Services. He highlighted that most of it related to early audit work carried over from January and February. He added that a lot of preparatory work had been done for the main audit which would be reported to the June meeting. The Head of Financial Services said Panel Members had been concerned about the payroll not been up to date, and this had now been brought to date, as of February. The Panel was told that the Final Audit and Value for Money work would be reported to the June meeting.

Councillor Ingleby asked if Grant Thornton envisaged problems with pensions investments as stated on page 75 of the report. Jamie Bewick said he was aware of 7 Councils that have a Pension Committee, and Lewisham might want to see what others were doing.

Richard King said he was still concerned that the issue on reconciliations had still not been addressed. He said the Panel was told at their last meeting that reconciliations would be done by April, and this had not been done. He said it was a fundamental process that should be done monthly. The Head of Financial Services apologised for the delay in addressing this issue, saying this was because work had to be prioritised because of the pressure on resources. He added that this concern would be addressed in the Summer.

The Chair asked if reconciliations had not been done because of the pressures faced by a reduced team. The Head of Financial Services responded by stressing that officers had to focus on priorities because of the situation the Council was experiencing with the savings drive. Mr King said he thought reconciliations should be termed as the number 1 priority in finance, and could not understand why it should be problematic.

The Chair asked how the school's accounting and auditing were progressing. Jamie Bewick said he had not seen any update as yet, and wanted to bring the issue of the December CIPFA update to the attention of Panel members.

RSEOLVED that the report be noted.

#### **4. Grant Thornton Claims Certification Report**

The report was introduced by Jamie Bewick. It was noted that Grant Thornton were required by the Audit Commission to certify certain claims and returns submitted by the Council. The report gave a summary of Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process and drew attention to significant matters in relation to individual claims.

Grant Thornton certified two claims and returns on behalf of the Audit Commission for the financial year 2013/14 relating to expenditure of £235.7million. They were Housing Benefits and Housing Capital Receipts Pooling. Panel members noted that Grant Thornton also certified the Teachers Pension return which also required certification but was not part of the Audit Commission's regime. Panel Members were informed that 9 types of errors were discovered, which was more than in previous years.

Audit Panel noted that the errors were linked to changes in benefit regime; increase in claimants and record keeping. Jamie Bewick said Lewisham disposes its records after 6 years, and might want to keep it longer as a precaution. Councillor Hooks asked what the guidance advised, and was told the DWP do not have a limit. Jamie Bewick said most councils keep it for 5 years because of the sensitive information. He emphasised there were only a small number of cases with errors.

Mr King said 9 errors on a sample of 60 cases was equivalent to 15% which was a large amount. Councillor Slater asked whether the errors occurred because claimants did not put down the right information. Mr Bewick said this was partly because claimants income could change within a week. Councillor Slater asked whether sufficient assistance was provided to support claimants, and the Head of Financial Services replied that the Benefits Manager would be able to answer this query. Councillor Slater stated it would be helpful if the Benefits Manager was invited to the next Audit Panel to explain what the errors consisted of.

Mr Bewick said the errors were not material and there was no cause for alarm, although the Council should not be complacent. Councillor Slater said he would agree with Mr Bewick's statement but was concerned that patterns were emerging and the problem would need to be addressed. The Head of Corporate Resources said he understood Panel Members need to invite the Benefits Manager to address their concerns, but the June meeting might not be the best time as the agenda would be large. The Chair concluded she would decide whether the Benefits Manager would be at the June meeting or a future meeting once she had seen the agenda.

The Chair asked whether concerns raised about the teachers' pensions had been resolved, and was told that procedures had been put in place to address the problem. The Head of Financial Services said he had met with stakeholders, and the work had been spread across different areas to ensure clear lines of responsibility. He added that the emphasis would be on timeliness, notification for adjustments, and he had requested monthly reconciliations to be part of the process.

RESOLVED that the report be noted.

## **5. The Internal Audit Update and Plan**

The Head of Corporate Resources introduced the report. He said no consultancy report or negative assurance had been finalised since the last report, and audit recommendations were being implemented. He added that an officer from Corporate Asset Services was at the meeting to take questions from Panel members. He concluded that the Internal Audit Charter which was included in the report, had been improved, and would continue to improve.

Richard King commented that he was surprised that at the end of February there were still 26 pieces of audit work that had not been completed, and would need to be done by the end of June. The Head of Corporate Resources replied saying this delay had occurred because of the transition from external contractors to internal provision, and added that this had been a difficult year for the audit section.

The Chair asked why 3 pieces of work had been dropped off the audit plan, and was told that they were not part of the risk register audit being processed, and this was requested by the Departmental Management Team because of the constraint on resources, but they have been booked to be done in September. Councillor Ingleby asked about Highway Maintenance Reactive Maintenance audit which currently had a superseded recommendation, and was told that in future officers would notify Panel Members if recommendations were to be closed.

The Interim Corporate Asset Strategy Manager gave a short presentation on what officers were currently doing to ensure the production and maintenance of an efficient asset strategy for the council. The Chair asked if the council had an IT system that would cope with the data, and the Interim Asset Strategy Manager said there had been some delays in completing the IT system, but this would be addressed.

The Chair said she understood that there would be additional income generated through the new strategy. The Interim Corporate Asset Strategy Manager said an example would be of a commercial estate which generated an income of £ 2.5m in the past, could potentially make £4m in future. The Interim Corporate Asset Strategy Manager said officers were looking at new land and sites that could generate new income. Councillor Slater said community centres could be better utilised for income generation. He asked if members could use the register to see what properties were owned by the council, as this could help them pre-empt issues, and was told they could.

Councillor Hooks commented that it would be useful to have this register, as it could improve income and business development. He added that in response to the findings that the Council did not have a champion for Asset Management at member level, it would be necessary for members to get involved, and champion some of the ideas that might be generated from this project. Councillor Mallory said members involvement would be crucial, and added that the way forward could be discussed at the Public Accounts Select Committee (PASC). The Interim Corporate Asset Strategy Manager said members could get involved through Ward Assemblies. He added that officers were planning how to roll out the new strategy. The Head of Corporate Resources said a piece of work was being done at PASC and inviting Members to become Champions could be included in the recommendations. The Chair thanked The Interim Corporate Asset Strategy Manager for attending the meeting.

### Audit Charter

It was noted that the Charter had been revised to include comments from Panel Members. Following a question from Mr King, the Head of Corporate Resources said the restructuring of the Audit section would be completed in two years time, which would be the end of the transition period. Mr King questioned officers proposal of changing the reporting period of the Plan from 1 April to 1 July, and Panel members were told that because of insufficient resources it would be efficient to have it in July this year, but it would revert to April in future. It was noted that the external auditors were in agreement to this arrangement.

Mr King said he had expected to see the audit strategy included in the Charter. The Internal Audit Contract Manager responded saying Lewisham did not have a separate strategy and it was now included in the Charter, which was similar to that of other boroughs. Mr King then said he thought either the Audit Panel or Council should approve Lewisham's Strategy.

Councillor Mallory commented that he had thought a charter should be a short document, which this one was not. The Head of Corporate Resources told Panel Members it was a compromise between standards and comprehensiveness. He added that an executive summary of the charter could be done with additional appendices. Councillor Slater said in future it would be helpful if the reports include executive summaries as a cover sheet followed by the comprehensive reports. This was agreed. The Internal Audit Contract Manager said she would do an executive summary of the Charter and would bring it back to the next meeting for the Audit Panel to approve. This was agreed.

The Head of Corporate Resources explained that the Public Sector Internal Audit Standards (PSIAS) assessment was due in 2015/16. There were three assessors to choose from. Some of the London Borough Heads of Internal Audit have agreed to team up to conduct the external assessments between them. While this is cost effective, it did not have true independent as they often worked closely together. The Chartered Institute of Internal Auditors would be independent but were too costly. Panel Members agreed to the preferred provide, the London Audit Consortium NHS, to conduct the assessment on behalf of the Audit Panel.

RESOLVED that the report be noted, and an executive summary of the Audit Charter to be done for Audit Panel Members.

## **6. Ant-Fraud and Corruption Update**

The Head of Corporate Resources introduced the report. He said the report covered Special Investigations, Benefit Investigations and Housing Investigations. The Head of Corporate Resources informed Panel Members of the Local Government Transparency Code 2014, which required local authorities to publish data on its anti-fraud arrangements at least on an annual basis. Panel Members were also informed that Lewisham A-FACT had won four bids of funding from the DCLG Counter Fraud Fund.

Councillor Ingleby said the success of the bids was reported to PASC, which was impressive. Councillor Mallory congratulated officers for getting the funds. The Head of Corporate Resources said the funding would be used to develop the counter fraud work within the team, and strengthen partnership working. He said Lewisham was considering partnership arrangements with 4 other boroughs. He added that the council would benefit by having a wider consistent approach to this work.

Councillor Mallory asked whether the Council would be able to monitor its benefits fraud after the service had been transferred to the DWP. The Head of Corporate Resources said the Council would not be handling cases but would be able to monitor its expenditure to some degree. He said there would be data that the councils would be able to access. Councillor Mallory asked if Lewisham would be able to check if this process was effective, and was told that the Council would have to ask the DWP, at the appropriate time.

RESOLVED that the report be noted.

The meeting ended at 8:55pm