

| AUDIT PANEL | | |
|---------------------|------------------------|---------------------------|
| Report Title | MINUTES | |
| Key Decision | | Item No. 2 |
| Ward | | |
| Contributors | CHIEF EXECUTIVE | |
| Class | Part 1 | Date: 22 JUNE 2011 |

Recommendation

It is recommended that the Panel agrees the Minutes of the meeting, which was open to the press and public, held on 23 March 2011.

LONDON BOROUGH OF LEWISHAM

Minutes

MINUTES of a meeting of the AUDIT PANEL, which was open to the press and public, held on WEDNESDAY 23 MARCH 2011 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7p.m.

Present

Councillor Harris (Chair) Councillor Peake (Vice Chair) Councillors Mallory and Till.

Independent Members

Mr King
Mr Webb

Audit Commission

Geoffrey Banister - Audit Manager, RSM Tenon Ltd
Chris Harris - Director of Internal Audit, Lewisham Homes
Adam Barrett - Director for Resources

Officers

David Austin - Interim Head of Audit & Risk
Conrad Hall - Head of Business Management & Service Support
Richard Lambeth - Group Manager - Accounting
Carol Owen - Anti Fraud & Corruption Team Manager
Andreas Ghosh - Head of Personnel & Development

Apologies for absence were received from Councillors Bonavia and Clutten.

| Minute No. | | Action |
|------------|---|--------|
| 1 | MINUTES (page RESOLVED that the Minutes of the meeting of the Panel held on 22 December 2010, which was open to the press and public, be confirmed and signed. | |
| 2 | DECLARATIONS OF INTERESTS (page | |
| 2.1 | None. | |
| 3 | INTERNAL AUDIT UPDATE REPORT(Page | |
| 3.1 | The Interim Head of Audit & Risk presented the update. He informed members that one of the 2009/10 reports was yet to be completed but he was confident this would be done by the end of March. The full year 2011/12 audit plan was also on schedule | |

to be delivered with three agreed exceptions by the end of March. This was a significantly improved position on prior years. Following the presentation Councillor Till asked if the second box of the table on page 14 should have read -10% as it was a negative variance this was noted to be an error. Mr King commented that the Key Performance Indicators had not improved since the last report. Officers agreed this was the case and confirmed they were working closely with the contractor to improve them. The Chair said that if they fall again officers might want to reconsider their targets as they might be unrealistic or there might be other issues they may want to investigate.

- 3.2 The Head of Personnel & Development informed members that they were in the process of getting the information on the salaries of high earning interim, agency and consultant staff. With their consent this would be published by the Council. He added that the difficulty would be trying to get the exact salaries of individuals from organisations that provide services to the Council. The Chair asked if figures shown would be those paid to individuals that work for us via agencies or if it would be the figure we pay the agencies. It was noted that the published figure would be that paid to the agency as this is what the cost to the Council would be.
- 3.3 The Head of Personnel & Development noted that another challenge could be figures for individuals who work part-time. Councillor Mallory said this should not be difficult as their salaries should be worked out on a pro-rata basis, adding that members would want to see the list of people who were paid an equivalent of a £100k salary.
- 3.4 Mr King asked if it would be easier to identify the amount of hours paid for a job, if identifying the individual becomes a challenge. The Head of Business Management and Service Support said that this would depend on the service provision, but this would be looked at. The Chair said that it would be useful to have a separate list for contractors who refuse to co-operate. The Head of Personnel and Development said that he was aiming to produce an aggregate report with various categories that would list the high earners of the Council. Head of
Personnel
& Develop.
- 3.5 The Chair said that at the last meeting they had requested a report on the use of consultants, because concerns were raised about compliance with the process for procuring consultants. The Interim Head of Audit & Risk updated the Panel on progress since the previous meeting. A follow-up report on the original internal audit findings was completed in December. This identified that all but one recommendation have been superseded by the work currently underway as outlined above

by the Head of Personnel & Development. The one outstanding recommendation relates to maintaining a comprehensive register of all interim, agency and consultant staff employed by the Council. This was expected to be resolved by June 2011 as part of the exercise to update the Council's records on people employed in this manner. Councillor Mallory suggested that it would be practical to wait for the report from the Head of Personnel and Development, if this was not comprehensive then they could request further information. Members also emphasised that all the concerns they had raised in the past should be addressed.

- 3.6 The Panel reviewed the draft 2011/12 Audit Plan presented in the Interim Head of Audit & Risk's report. Mr King sought clarification on what the scope for audits identified as 'post implementation reviews' would be. The Interim Head of Audit & Risk confirmed that these would be reviews of the risks and internal controls for these systems once the post implementation has been completed by management, and not post implementation reviews. The scope for these reviews would be clarified accordingly in the 2011/12 Audit Plan.
- Interim
Head of
Audit &
Risk

RESOLVED that

(i) the report be noted;

(ii) the Audit plan 2011/12 be approved.

4. ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE (Page

- 4.1 The Interim Head of Audit and Risk introduced the report. It was noted that up 160 Lewisham Homes tenancies identified for investigation on suspicion of illegal sub-letting had been recovered in the last 18 months. Councillor Till asked if there had been a lot of whistle blowing, and was told that there were some cases. In particular following publicity on successful cases, a hotline provided for whistle blowers, has proved successful.
- 4.2 Councillor Mallory asked if someone could be convicted of fraud if they were caught sub-letting Council property. It was noted that sub-letting was not a criminal offence but a civil breach of the tenancy agreement. Councillor Mallory said that he assumed that successful cases would be of benefit to the community and the advantages of this should be made more public. He added that the more incentive offered to the community the more cases would be reported to officers. This would save the Council money, and provide homes for people who need it. The Anti-

Minute No.

Action

Fraud and Corruption Team Manager said that in cases where prosecution was achieved the informer would be offered financial reward, but the downside was that this could encourage malicious calls. Mr Webb asked if the Anti Fraud team worked with police officers and was told this was the case.

- 4.3 Councillor Mallory suggested that it would be useful if figures were included in a report that show potential loss and gains. The Interim Head of Audit & Risk said that he was already working on this report on the Council's counter-fraud work and that this would be brought to the Audit Panel. Interim Head of Audit & Risk
- 4.4 The Chair asked if officers felt that Lewisham had adequately invested in Housing investigation. The Director for Resources of Lewisham Homes said that additional resources had been made available over the last 2 years, this investment would be maintained, and an additional specialist post would be funded to combat fraud. The Chair then asked if Lewisham has less problems in comparison to other authorities or housing providers. It was noted that Lewisham has good processes in place which was helpful, Lewisham Homes worked very closely with the Council, and their objectives were closely aligned to ensure good partnership working.
- 4.5 Councillor Peake asked if the level of illegal sub-letting in Lewisham was high. It was noted that although the national figure was 5-8%, it may be higher in London because of demand. The Chair asked if there was a way of mapping out high rates of sub-letting and was told that this was not formally done. It was noted that an anti-fraud campaign would be done in May 2011. The Chair suggested that the mapping should be prepared and used as part of the Council's proactive counter fraud work. The Head of Business Management and Service Support said that this would need to be considered carefully to ensure that it could be done legally.
- 4.6 Councillor Mallory commented that it would be beneficial to publicise the positive impact of reclaiming these properties as this would encourage members of the public to report offenders and raise awareness. It was noted that one positive impact would be that Bed and Breakfast bills would be lower which could result in a lower council tax for residents.
- 4.7 The Chair asked if officers found guilty of fraud were only disciplined, and not prosecuted. It was noted that if necessary criminal prosecution could ensue plus confiscation of the proceeds of crime.

RESOLVED that the report be noted.

5. RISK MANAGEMENT UPDATE

5.1 The Interim Head of Audit & Risk introduced the report. The Chair said that it would be useful to have a probability and risk scenario within the Risk Management Policy and Strategy. The Chair said that he was concerned that Audit Panel being the scrutiny body for the risk management process was not alerted of occasions when high risks were identified. The Head of Business Management and Service Support informed members that the Internal Control Board look at the detailed risk register of the Council. The Chair said that he was concerned that the Internal Control Board that check the risk register has no Council Member in its membership. He asked where high risks were reported. The Interim Head of Audit & Risk explained that the Monthly Management performance report was reviewed by the Executive Management Team, taken to Mayor & Cabinet and published online for all members to see. The Monthly Management report highlights the key risks from the risk registers and updates on significant changes.

5.2 The Chair asked what would happen if a lot of staff go off sick, asking whether the Internal Control Board would report this to the Mayor. The Interim Head of Audit & Risk stated that the Internal Control Board would enquire what had been done to address the problem, and the relevant Executive Director(s) would put in place any additional contingency work identified as needed. This would be recorded in the risk registers and picked up by the Mayor & Cabinet via the Monthly Management report. Mr King said that other authorities he had worked for usually have a paragraph in all their reports similar to financial implications to address potential risk. The Chair said that he would require some clarity about the current system in place to report high risk situations. Mr King highlighted that some of the information on the risk register were illegible. The Interim Head of Audit & Risk apologised for this, and said the information would be re-circulated to members.

Interim
Head of
Audit &
Risk

RESOLVED that

(i) the Risk Management Strategy 2011-13 be approved.

(ii) the progress made in reporting and managing risk be noted.

6. AUDIT COMMISSION PROGRESS REPORT

6.1 Geoffrey Banister, Audit Manager, Audit Commission introduced

the report. He highlighted that arrangements have been assessed using a traffic light system of red, amber and green, green being the highest achievement. He added that the Council's IRFS arrangements have been given red which was mainly because of slippage on target dates. He said that he had arranged to review the Council's work in January, but had to postpone it to March as it was not completed. He stated that he had been meeting with Council officers on a monthly basis to discuss a number of issues. Mr Banister informed members that as announced in August 2010 the Audit Commission was to be abolished and if confirmed this would be the last time it would publish a work programme and set scales of audit fees for local authorities.

- 6.2 The Head of Business Management and Service Support informed members that officers had recognised that their initial timescale was unnecessarily optimistic and have made significant progress since the assessment. He added that they would deal with this issue and were now on track with the current deadlines, and would deliver as promised. The Group Finance Manager said that they were very close to completing the 2009/10 accounts restatement and were now in the process of compiling the 2010/11 figures. He added that they had just installed a new asset management system as the previous one was not effective, stating that the new system would enable officers to complete the job more effectively and on time.
- 6.3 Members were informed that it had been a very busy time for finance officers because of the budget process and the finance restructuring. The Chair asked how many Councils achieved red for IFRS and was told 7 out of 32. He then asked when officers were aware of the timescale for the change to IFRS. It was noted that this was originally in 2009/10, it was then changed to 2010/11. The Chair also asked why the timetable that officers put together was so tight even though they were aware of their other commitments. Members were informed that although notification was given, the guidance about getting information ready was delayed and took longer than expected. It was also noted that although the CIPFA Code of Practice was published in the Summer, the CIPFA Guidance on how it should be done was not available until late December. Officers stated that on hindsight they should have set their deadlines for later dates. The Chair then asked if the 7 Councils that have been assigned red had been hit by a large budget reduction similar to Lewisham. Mr Bannister said they had not analysed that information. The Chair said he would like to know what the Councils that have been awarded green had done, that Lewisham had not done.

Minute No.

Action

6.4 The Head of Business Management and Service Support said that officers had addressed the 7 recommendations listed on page 77, and have even surpassed some of them. Councillor Peake asked if officers were confident that they would achieve the new timetable, the Group Finance Manager said they were confident. The Chair said that he was still concerned that other Councils were able to deliver and Lewisham was not, and asked why officers were not prepared. It was noted that unlike Lewisham some councils do have engaged external consultancy to support them in completing the work. Councillor Mallory said that he could accept a red for Lewisham if it meant that some resources have been put towards a worthy cause like Adult Social Care.

6.5 The Chair said that this issue of support for officers was a concern as officers seemed to be under a lot of pressure, he added that he would not want to be in a similar position in June. The Chair said that he was worried about the pressures officers would be in over the next 12 months when the next round of cuts have to be implemented, as this might result in another slippage. The Head of Business Management and Service Support said that officers would ensure things were done differently. The Chair then asked if the fees and rebates for 2009/10, 2010/11 and 2011/12 set by the Audit Commission could be circulated to members.

Executive
Dir.
Resources

RESOLVED that

- i. it be noted that the Audit Commission recommended reduction in Audit fees was in line with the Council's for the current year.
- ii. the Audit Panel recommend that Council's Audit fees for year 2 and 3 be in line with the Audit Commission.

The meeting ended at 9.43p.m.

Chair