

MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Wednesday, 15 March 2017 at 7.00 pm

PRESENT: Councillors Jamie Milne (Chair), Abdeslam Amrani, Amanda De Ryk, Sue Hordijkeno, Mark Ingleby, Jim Mallory and Sophie McGeevor

APOLOGIES: Councillors Chris Barnham, Brenda Dacres and Roy Kennedy

ALSO PRESENT: Councillor Maja Hilton, David Austin (Head of Corporate Resources), Timothy Andrew (Scrutiny Manager) and Selwyn Thompson (Head of Financial Services)

1. Minutes of the meeting held on 25 January 2017

Resolved: that the minutes of the meeting held on 25 January be agreed as an accurate record.

2. Declarations of interest

There were none.

3. Responses from Mayor and Cabinet

There were none.

4. Audit panel update

4.1 David Austin (Head of Corporate Resources) introduced the report. The following key points were noted:

- The report provided a summary of work of the audit panel for the 2016/17 year.
- It included an overview of the external audit work that had been reviewed by the Panel.
- Lewisham was given an unqualified audit opinion by the external auditors and there were no restrictions on their statement about the value for money of Lewisham services. There were general comments given by the auditors about the level of austerity facing the sector and the risk and impact of this on financial controls.
- Last year was the first year that a limited opinion (on a scale of: substantial, satisfactory, limited or no assurance) was given by Head of Internal audit based on the work of the Council's internal audit function.
- This was in part as a result of single person dependencies, loss of knowledge and sudden changes in processes, which had resulted in some issues being missed in transition between reorganisations. These were all classic risks associated with the major savings programme and staff reorganisations.
- Counter fraud initiatives had focused mostly around housing, where there had been a number of successes in the past year.
- The annual governance statement, which set out the Council's processes for decision making and the coherence of the Council's control frameworks, was reviewed by the Audit Panel as part of the financial statements external audit.

4.2 David Austin and Selwyn Thompson responded to questions from the committee, the following key points were noted:

- At the level below the Constitution, there were a number of control frameworks in operation, including those for governance and finance, there were others for HR, procurement and other services to ensure that appropriate mechanisms were in place to manage effective processes for decision making and accountability.
- Counter fraud activity was principally reactive. The main area of focus was in housing and included work assessing the legitimacy of applications as well as reducing incidences of sub-letting.
- Lewisham was also participating in the National Fraud Initiative data matching exercises.
- Officers also carried out special investigations, which focused on areas of high risk - particularly those highlighted by the Audit Commission and the Chartered Institute of Public Finance and Accountancy counter fraud hub.
- Special investigations related mostly to employment fraud, supplier bank account fraud, procurement fraud and invoice validation.
- In addition to acting on referrals relating to fraud, the Council undertook some proactive work when resources permitted. One example was the data matching exercise carried out to check suppliers and procurement records.
- There had been difficulties recruiting independent members to the audit panel but there was currently only one vacancy (out of four places for independent members). There were two new highly qualified independent members of the panel.
- Counter fraud staff and funding had been centralised at the Department for Work and Pensions to deal with housing benefit fraud.
- Comparisons between the previous service and the centralised service were difficult to make because the outputs of the service were measured in different ways.

Resolved:

That the Committee believes that the audit panel should make every effort to retain independent members.

To advise Mayor and Cabinet of the following:

- The Committee has concerns about progress with centralisation of counter fraud activities from local government to the Department for Work and Pensions (DWP).
- The Committee recommends that Mayor and Cabinet raises queries about the progress and success the DWP has had to date with the performance of the single fraud investigation service.

5. Leaving the EU

5.1 David Austin (Head of Corporate Resources) introduced the report. The following key points were noted:

- The report provided an outline of the key themes relating to Britain leaving the EU as they were currently understood.
- At the London level the big debate was about putting at risk the trade surplus generated by financial services industry.

- Locally, the issues were mostly about the rights of EU nationals' right to live and work in the UK. There was a strong public sector in Lewisham and the impact of Britain leaving the EU might have a substantial impact on the delivery of public services, particularly healthcare.

5.2 David Austin responded to questions from the Committee, the following key points were noted:

- It was anticipated that the Government's 'Great Repeal Bill' would enshrine EU law, directives and procurement laws into UK law. The expectation was that changes would then be made over time.
- A number of EU directives had been initiated by the UK, including substantial amounts of health and safety legislation, which were a product of the UK's 1974 health and safety act, so it was not anticipated that everything would need to change.
- The UK was also a significant contributor to EU human rights law.
- It would be difficult to determine how reliant Lewisham's construction companies were on workers from European Union countries.
- The Council didn't have information about how many EU nationals were part of the Council's workforce.
- The Council did not hold information about the amount of goods it purchased from the EU.
- The Council did not currently have a contingency plan for any potential future skills gap for public services. However, the usual rules of supply and demand would be in effect and this might risk introducing further financial pressures.
- The government had given a guarantee to fund some initiatives to replace EU funding to 2020. Future funding would not be part of the Great Repeal Bill (which related only to legislation) and would therefore be at the discretion of the government.

Resolved: that the report be noted.

6. Select Committee work programme

6.1 The Committee discussed and prioritised topics for the 2017-18 work programme. The following key points were noted:

- Senior managers were considering potential options for future income generation work. Selwyn Thompson would bring an update to the Committee early in the 2017-18 year.
- It was proposed that the Committee might want to review the Council's progress with delivering the manifesto commitments for the 2014 mayoral and local elections.
- There was concern about schools deficits, particularly in light of the changes to the schools funding formula. It was agreed that the Committee would seek to carry out any work in this area in conjunction with the Children and Young People's Select Committee.
- There was interest in the contractual arrangements; decision making processes; negotiation strategies; income assessments and partnership arrangements for major regeneration schemes.
- It was noted that a value for money audit had been carried out as part of the Council's external audit arrangements and the Committee might consider revisiting this work.
- Officers were carrying out work reviewing the Council's eight PFI agreements including those for leisure, housing, schools. This was a complicated and

difficult piece of work but it could be reported to the Committee at the appropriate time.

Resolved: that the Committee's suggestions be incorporated into a draft work programme for 2017-18.

7. Referrals to Mayor and Cabinet

The meeting ended at 8.15 pm

Chair: -----

Date: -----