

MINUTES OF THE AUDIT PANEL

Tuesday, 26 March 2019 at 7.00 pm

PRESENT: Councillors Alan Hall, Louise Krupski, Paul Maslin, Joan Millbank, James Rathbone, Carole Murray and Stephen Warren

ALSO PRESENT: Councillors Brown and Bonavia

Apologies for absence were received from Councillor Mark Ingleby and Ian Pleace

33. Minutes

Catford Regeneration Partnership Limited (CRPL) Update

Panel Members noted that a non Executive Member would be appointed to the Board. The Chair asked when this proposal would go to Council, and was told in June.

RESOLVED that the minutes of the open meeting held on Tuesday 11 December 2018 be agreed as a correct record.

34. Declarations of Interests

The Chair declared a non pecuniary interest in item 6 as he was a Member of the Appointment Panel for the former Chief Executive, Ian Thomas.

35. Update on Oracle -

The Head of Financial Services introduced the report. The Head of Programme Manager, Financial Services gave the presentation.

He highlighted the following:

- Officers were planning to go live with the second phase of the programme in April with schools, and May for the Council. If key deliverable dates are not met, officers would report back to Audit Panel.
- Services in phase two payroll parallel runs, service transition into support, and business change.
- It has now moved to the end of the process, which was the most critical point and there were a number of risks and issues that officers needed to address.
- The transition period was approaching, and the organisation would need to be trained as this was a huge change.
- As part of the new ways of working employees would be able to access their personal data via any device in the same way they access on-line banking.

Carole Murray asked if the first parallel run had been completed, and was told it had. She asked whether they had any problems and was told there were a number of key challenges which have been addressed. It was noted that the objective was to get 90% of data aligned, and officers had got it to 93%, which was above what was projected. The Programme Manager said it was crucial that employees get paid on time. The Head of Financial Services said officers would be able to look at how the Council was managing its risks. Panel Members requested that the update to the next meeting included savings that had been made as a result of Oracle Cloud.

Action >>>>> Head of Financial Services

36. Update on 2018/19 Closing of Accounts and External Audits

Paul Grady, Engagement Lead, Grant Thornton informed Panel Members that the green coloured areas had been completed, amber coloured progressing, and red yet to be done. He said Grant Thornton would be coming to the Council next week to pick up on work that needed to be done.

The Chair asked about the anticipated finished date, and was told end of July. The Head of Financial Services said officers had been engaged with Grant Thornton and had positive discussions. He was hopeful about meeting the deadline. Officers were thanked for the report.

RESOLVED that the report be noted.

37. Grant Thornton Housing Benefit Certification Letter 2017/18

Paul Jacklin, Senior Audit Manager, Grant Thornton introduced the report.

Panel Members noted that errors identified were consistent with issues found in previous years. It was noted that there were nothing to surprise external auditors. They had looked at the Council's response to financial challenges, Brexit and political uncertainties. Panel Members noted the errors found, and were informed that as a result of this the claim was amended and qualified and Grant Thornton had reported their findings to the DWP. It was noted that the DWP might require the Council to undertake further work or provide assurances on the errors identified.

RESOLVED that the report be noted.

38. London Borough of Lewisham Value for Money Report 2017/18

Paul Grady introduced the report. He informed Panel Members that there was nothing new in respect of matters reported before. External Auditors had positive responses from Senior Management on issues that were raised during the Audit and both parties were now working together to address them.

Paul Grady said the appointment and departure of the former Chief Executive in 2018 was a new issue and a recommendation raised for Members to reflect upon the outcome to inform future appointments.

Paul Grady reminded Panel Members that three key issues were identified:

- Budget Management
- Savings Plan
- Transformation Arrangements

As previously reported no significant issues were identified with the first two. He added that the review of transformation arrangements had now been completed with the conclusion that there were governance weaknesses in respect of the transformation programme in 2017/18. For this reason the VFM opinion was qualified in this respect and high level recommendations raised to support the Council's improvement plans.

Panel Members noted that the recommendations had been agreed with Management, and Management had responded positively. This would be the final report for issue of the audit letter.

Stephen Warren said he welcomed Management's response, as this gave an indication of acceptance, because these were audit recommendations on a strategic level. He requested that a regular update be done for Panel Members showing specific actions and timetable, so they can monitor the progress closely.

The Chief Financial Officer told Panel Members that he had tried to do this with the recommendations but it was difficult, given their deliberately high level nature, but he would keep this under review and bring regular updates to Audit Panel. Mr Warren said Panel Members would need something they could monitor that went beyond the narrative, for example with milestones and accountability. The Chief Financial Officer said this would be done.

Action >>>>>> Chief Financial Officer

Carole Murray asked how Management would address the resourcing issues for more assurance to review Transformation Governance, and was told in the immediate future they would be addressed by temporary and permanent staff. Ms Murray mentioned that some local authorities had done this and after two years seemed to still have temporary staff. The Chief Financial Officer noted there seemed to be a shortage of experienced qualified Audit staff in the public sector.

Panel Members noted that interim arrangements were still in place and Management would try to make it work, if not possible they would go back to Members for additional resources. The Chief Financial Officer stated that some risks had to be taken because of continued savings.

Councillor Maslin asked what was going to be done to address the mistake made in connection with the former Chief Executive. He asked how the process would be different. The Chair said as far as he was aware the report that went to Council for the recruitment of the former Chief Executive is the same as what had gone out

for the recruitment of a new Chief Executive. He said it would be good to hear from the External Auditors about their findings.

Paul Grady said Grant Thornton did not do a review on the process in detail. He said the arrangements were lawful and not inappropriate, but given the outcome the situation had been expensive, with some element of turmoil and management resources used. He said the Council could have done without this, and Council Members needed to reflect on what could have been done differently.

The Chair said the only difference he could see in the current report to Council was the exclusion of the recommendation to look at the possibility of a black Chief Executive. He said the report was a direct lift from the last one. He asked whether officers were aware of LGA and SOLACE guidance, and was told by the Executive Director for Customer Services that this query would be fed back to the Head of Human Resources for a response.

Action >>>>> Chief Financial Officer

Paul Grady stated that the recommendation from Grant Thornton was for Council Members to address, not officers. Councillor Maslin said he was aware that this was a sensitive issue but it would need to be addressed. Councillor Millbank said she was sure it was being addressed.

There was a detailed discussion on the issue of the appointment of the former Chief Executive.

The Chair asked about Transformation and the expected overspend in the Children and Young People budget. He also asked how officers would be addressing the IT overspend of £1.2m. The Chief Financial Officer explained the Financial process and decisions that had to be taken to ensure that Management was able to provide services and also work towards savings while managing the risks to what the Council was trying to achieve.

Panel Members noted that although most local authorities were going through similar difficulties with 90% reporting children services overspends in 2017/18, Lewisham officers were doing their best to ensure they try to keep to their savings objectives.

Councillor Krupski said the Council should be realistic, as the reality was that these measures would take time to become effective. She said she was confident that the structures that had been put in place to address the budget issues would work. Councillor Krupski said Children and Young People Directorate officers had reported to the Public Accounts Select Committee (PAC), and PAC would continue to monitor progress to ensure budget deficits are addressed effectively.

RESOLVED that:

- i. the VFM report and Opinion be noted.
- ii. Officers response to the VFM recommendations be noted.
- iii. the Pending audit certificate, subject to the auditors completing their consideration of objections related to the accounts for the year ended 31

March 2017 be noted.

39. Annual Audit Letter 2017/18

This report was discussed as part of the Value for Money report.

RESOLVED that the report be noted.

40. Terms of Reference of the Audit Panel

The Chair said it was good practice for the Panel to review its terms of reference every now and then to ensure they were fulfilling their responsibilities. He thanked the Audit Manager for the report.

The Chief Financial Officer said he cross referenced the Council's Audit Panel Terms of Reference (TOR) with the CIPFA's recommended TOR and came to the conclusion that the combination of the Council's Audit Panel and the Public Accounts Select Committee Terms of References met that of the CIPFA recommended model, especially when considered alongside the Council's compliance with Public Sector Internal Audit Standards.

Mr Warren said he liked the short TOR, and asked why the Panel did not produce an annual report. He was told that the Chair does one on behalf of the Panel and this would be circulated to Independent Panel Members as all Council Members gets a copy.

Action >>>>> Chief Financial Officer

The Chair thanked officers for the report and commented that the Panel should try to review its TOR every two to three years.

RESOLVED that the report be noted.

41. External Finance Review - As reported to PASC in December and Mayor and Cabinet in February 2019

Audit Panel noted that the response to the referral would be going to Mayor and Cabinet on 24 April 2019. The Chair requested that this response be circulated to Audit Panel Members.

Action >>>>> Committee Clerk

42. Internal Audit Update and Plan

The Chief Financial Officer introduced the report. The report covered progress against internal audit plans, both corporate and schools, progress of implementation of internal audit recommendations and an indicative draft internal audit plan for 2019-20.

Audit Panel Members noted that the Internal Control Board (ICB) had concerns about the number of reports that were outstanding in the year, and officers would need to address this. Panel Members said it would be helpful if they could see the minutes from the ICB.

Action >>>>> Chief Financial Officer

Panel Members asked if the schools reports go to the Directors, and suggested that PAs should be asked to circulate them to their Directors. The Panel were assured that the relevant Directors were issued with internal audit reports for their areas. Panel Members asked if schools had responded to their recommendations, and were told the Audit software has action tracking but unfortunately it was not yet user friendly. As soon as this had been addressed it would be removed from the Children and Young People Directorate and monitored by the Audit team.

Carole Murray said she was concerned to see that 50% of the Audit Plan had not started by 7 March. She asked whether the Council planned to stay with Mazars as their Provider. The Audit Manager said they were having difficulties retaining trained staff, as there appeared to be resourcing challenges to secure Auditors in the public sector. Ms Murray asked whether officers would have enough work completed to do a proper opinion and was told that they were confident as the report stood.

RESOLVED that the report be noted.

Meeting ended 8:45pm

Chair.....