

# MINUTES OF THE AUDIT PANEL MEETING

Thursday 11 July at 7pm

PRESENT: Councillor Rathbone, Councillor Mallory, Councillor Millbank, Councillor Wise, Carole Murray, Ian Pleace, Stephen Warren

Apologies: Councillor Maslin, Councillor Penfold

## 1. Election of Chair and Vice Chair

Councillor Rathbone was elected as Chair of the Panel.  
Nominations for Vice Chair are postponed until the next meeting.

## 2. Minutes

Grant Thornton Housing Benefit Item:

Panel Members noted that the sentence on the Council's response to financial challenges, Brexit and political uncertainties, did not pertain to the report in question.

LBL Value for Money Report:

Under "Resolved", the word "opinion" be amended to "conclusion".

RESOLVED that the minutes of the meeting held on Tuesday 26 March 2018 be agreed as an accurate record.

## 3. Declarations of Interest

No interests were declared.

## 4. Oracle Cloud Update

The Director of Financial Services presented the report. The Programme Manager gave the presentation.

The payroll team was restructured and additional resources have been used to improve the parallel runs and backlog in regards to payroll processing. Oracle is already live with pensions and as of August these should be paid out of Oracle.

Self-service will be launched for all staff and training has commenced. This will also be going live from 19 August.

In transition from Phase 1 to Phase 2 the risks of being out of support have been mitigated.

The system has failed on occasions when attempting BACS payments. A business continuity plan is being developed to address the needs of the system and put some resilience in place.

One of the key features of the new data security going forward will ensure that secure data cannot be accessed, i.e. employee data by managers.

**Action:** the Director of Financial Services and Programme Manager are to update the Panel on the progression of the system after the system has gone live, at the next Panel meeting.

## **5. Pre-Audit Statement of Accounts 2018-19 and Annual Governance Statement**

The Interim Chief Finance Officer introduced the report. He asked the Panel to note that, in agreement with external auditors, the completed audit report will be presented at the next meeting, to go to the subsequent 2<sup>nd</sup> October Council meeting. The audit is 80% complete- in this there are no concerns in terms of numbers but it is important to have the completed audit at the next meeting to avoid the risk of errors.

**Action:** The completed Audit Statement of Accounts will be itemised at the September meeting by the clerk.

Independent Members suggested that the issues and causes for the delay be remunerated and a remediation plan is put in place to guarantee that next year's audit will run more smoothly. Insufficient resource in the finance team was also discussed, noting that the authority needs to look more closely into this. A review of how external audits are executed for local authorities has been launched by the government which may also challenge how audits are carried out going forward.

RESOLVED the Panel noted that the Authority will not meet the 31 July 2019 reporting deadline and that the concerns were raised in respect of the quality of financial reporting. One reason for this is underresourcing in the Finance Department. The Panel recommend that the Public Accounts Committee give consideration to the level of resourcing in the team with a view to increase the resource available.

## **6. Audit Draft Findings 2018-19**

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

He noted that the audit accounts were delivered within 6 weeks which is a very short time. He echoed that the speed of the audit is not as important as the material accuracy and quality. Discussing the costs, he stated that additional work drives the fee as well as an increased time frame.

The work on the Value for Money project is mostly complete. OfSted have notified LBL and Grant Thornton of the inspection taking place, of which Grant Thornton will report of their findings in September.

Regarding the financial management arrangement, there was a qualification issue this year. The Council's transformation arrangement is performing well in rectifying oversights. The overall design is good and Grant Thornton are happy with the Council's response to issues raised last year.

Ian Pleace asked that a response to the FRC's audit quality report be at a subsequent meeting, after the report noted Grant Thornton needing special measures on its audit quality improvement plan and plans to place its work under additional scrutiny. Paul Jacklin responded that the report was not specific to Lewisham's audit. 8 out of 60 areas were reviewed and 4 of those had issues that were reported by the FRC. The firm has an official response to the report. Grant Thornton does take the report findings seriously and will be putting additional measures in place to drive higher quality.

Discussing the reserves, Councillor Mallory noted that the report laid out a clear and comprehensive explanation on the reach of reserves, capacity, potential, limitations on using them etc. it aided in the informed budget making process significantly.

Audit work on the Pension Fund is almost done. Accounts are in good quality and there are no areas of considerable concern.

RESOLVED for due diligence reasons, the Panel asked that Grant Thornton prepare to speak and share their official response to the FRC's report at the September meeting.

## **7. Internal Audit Update**

The Interim Chief Finance Officer presented this report.

Work on next year's early will begin earlier than usual to ensure there is no backlog of work and to avoid risk of delay. This will begin with the core financial risk and school audits.

Control and monitoring over Contract Management is crucial as the Council spends £200m per year on contracts with third party organisations, which will be in the second part of the plan. IT system changes and Project Assurance are also expected to be audited alongside Contract Management.

It is a requirement that the charter appended in the report is brought to the Panel meeting regularly for review to ensure clarity in the framework and approach for the internal audit. The report will be presented at the final meeting of the year where the panel will discuss who and how the review will be done by, as there is currently a conflict of the Chief Finance Officer fulfilling that review.

**Action:** the Chair asked that the Annual Counter Fraud update be put on the agenda as a standard item rather than an appendix. The clerk will ensure this is an item for the July meetings.

The meeting finished at 8.50pm