

MAYOR & CABINET			
REPORT TITLE	Response to the Public Accounts Select Committee comments on concerns raised by the Audit Panel		
KEY DECISION	No	Item No.	
WARD	N/A		
CONTRIBUTORS	Executive Director for Corporate Services		
CLASS	Part 1	Date	15 January 2020

1. PURPOSE

- 1.1 To provide the response to the comments made by the Public Accounts Select Committee in relation to the issues raised by the Audit Panel.

2. RECOMMENDATION

- 2.1 It is recommended that the Mayor and Cabinet agrees the proposed actions and response set out in section 5 below in response to the comments made by the Public Accounts Select Committee.

3. POLICY CONTEXT

- 3.1 The information set out in the body of this report is consistent with the delivery of the Council's corporate priorities (contained within the new Corporate Strategy 2018-22), and is particularly relevant to the Council's strong and resilient framework for prioritising action which has assisted the organisation in the face of austerity in seeking greater efficiency through the use of the resources it has available.

4. BACKGROUND

- 4.1. At its meeting on 24 September 2019, the Public Accounts Select Committee received a short briefing on discussions that had taken place at the Audit Panel regarding the resources available to carry out the Council's financial services and audit functions.
- 4.2 The Committee was advised that the Authority did not meet the 31 July 2019 audit reporting deadline and that Audit Panel had raised concerns in respect of the quality of financial reporting. The Panel ascertained that one reason for this was the under resourcing in the 'finance department'.

4.3 Further to the verbal update from the Chair of the Audit Panel (and the written summary below), the Committee was persuaded that there are urgent issues relating to the resourcing of the Council's financial services and audit functions that require immediate and detailed consideration by Mayor and Cabinet.

5. RESPONSE

5.1 The issues raised by the Audit Panel have in the main been responded to by officers in a report presented to the Audit Panel on 10th December 2019. This report focused on specific issues relating to the re-implementation of the Council's main financial system and the series of internal audit recommendations in relation to the core financial functions.

5.2 Members should note that this report provided Audit Panel members with an update on the progress of the internal audit recommendations which were highlighted in their September meeting. It should be noted that such updates on the internal audit recommendations will continue to be provided to the Audit Panel routinely.

5.3 The Audit Panel report, which was well received and welcomed by Panel members is attached at the 'background document' section to this report.

5.4 The 2018/19 annual audit process bore witness to some unexpected staffing difficulties which tested the resilience of the finance function during the process. This included the Group Finance Manager for Core Accounting unexpectedly taking ill and being absent from work for period of four months at the most crucial time, as well as a number of key finance staff leaving Lewisham to take up employment elsewhere. This severely impacted on the team's ability to meet the statutory deadlines for the accounts. Although the authority was not alone in not meeting the statutory deadline, (some 44% of local authorities did not), Lewisham firmly wants to be in a position where it is able to express enough resilience to meet set deadlines.

5.5 There are a number of measures which are being taken to ensure that the team is adequately prepared for the closedown process for this financial year of 2019/20 and the subsequent audit process for the annual accounts.

5.6 The team are committed to performing a number of annual 'accounting' closedown tasks early, where it is possible to do so. Such tasks include, the reconciliation of balance sheet codes and associated journals, claiming of 'unidentified' income / exceptions and this especially relates to grant income; drawdown from reserves, provided the money has been spent, and subject to Acting Chief Finance Officer's approval. It is felt that by making the concerted effort to performing these accounting tasks prior to the start of the process will put the team in best position possible to meet the deadlines set for the 2019/20 accounts and respond to audit queries on a timely basis.

5.7 Furthermore, plans are underway to bolster staffing in key areas of the function. These are activities which remains under constant review by the Acting Chief Finance Officer and the Director of Financial Services. Any formal structural proposals are being considered as part of the budget process and will be reported in due course.

- 5.8 It should be noted that some early measures include the recruitment to the vacant Principal Accountant post in the Core Accounting Team on a full time and permanent basis. Although this post had been technically vacant, the post-holder's responsibilities had been covered by existing members of the team and through the engagement of some temporary resources. By filling such posts on a full time and permanent basis will give the finance function that greater degree of stability and thereby strengthen its resilience.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no financial implications arising out of this report per se, although the financial implications of any strengthening of the finance function over and above its existing budgetary allocation will need to be considered in due course.

7. LEGAL IMPLICATIONS

- 7.1 There are no legal implications directly arising from this report.

8. CRIME AND DISORDER ACT IMPLICATIONS

- 8.1 There are no crime and disorder implications directly arising from this report.

9. EQUALITIES AND ENVIRONMENTAL IMPLICATIONS

- 9.1 There are no equalities or environmental implications directly arising from this report.

Background Documents

Paper to Audit Panel on Oracle Cloud and Audit Issues on 10th December 2019

http://councilmeetings.lewisham.gov.uk/documents/s69846/Oracle%20Cloud%20Update_AuditPanel101219.pdf

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