

Notes of the joint Public Accounts Committee and Audit Panel discussion 19:30-20:30, Wednesday 20 October 2021 MSTeams

Attendees

Councillors

James Rathbone (Chair), Alan Hall, Mark Ingleby, Jim Mallory, Joan Millbank, James Royston and Chris Best (Cabinet Member for Health and Social Care)

Independent members of the Audit Panel

Carole Murray, Ian Pleace, Stephen Warren

Officers

Timothy Andrew (Scrutiny Manager), Sarah Assibey (Committee Support Officer), Tom Brown (Executive Director for Community Services), Dee Carlin (Head of Joint Commissioning), Kathy Freeman (Executive Director for Corporate Resources), Joan Hutton (Director of Adult Social Care) Abdul Kayoum (Strategic Business Partner - Communities, Group Finance), Angela Scattergood (Director of Education Services), Ann Wallace (Education Advisor) Christine Webster (Interim Head of Internal Audit)

Apologies

Councillors Leo Gibbons, Susan Wise and Amanda de Ryk (Cabinet Member for Finance and Resources)

1. Overview

- 1.1. Chairs of the Public Accounts Select Committee and Audit Panel agreed to hold a discussion following concerns raised by members of the Audit Panel during their consideration of a recent internal audit report.
- 1.2. Key questions posed by the Chair:
 - How and why the failures identified (in the internal audit report) happened and what was supposed to have happened.
 - What the extent of the financial losses was and whether the Council had been able to recover the lost funds.
 - Assurance that the problems identified had been satisfactorily resolved - and that measures had been put in place to prevent future failures.

2. Key points raised in the meeting

- 2.1. Kathy Freeman addressed the meeting – the following key points were noted:
 - The opportunity to address members was welcome. It was important that the issues had been identified through internal audit so they could be considered in full and resolved.
 - The domiciliary care audit resulted from concerns raised by Tom Brown relating to duplicate payments.
 - An internal investigation found no fraudulent irregularities. This led to an audit of controls, practices and payments.
 - The findings of the audit report highlighted weaknesses in internal controls as well as failures of basic processes in several departments across the Council.

- Monthly reconciliation (of invoices with services delivered) required collaboration between service departments and finance teams. In an organisation where the processes were robust issues would be identified – however – in large organisations it was difficult to reconcile every single payment.
- The Council had faced year on year cuts over an extended period – which resulted in a finance team that was 30 percent smaller than previously and this had weakened financial processes and controls.

2.2. Tom Brown addressed the meeting – the following key points were noted:

- The Council had a responsibility to spend public money properly.
- Changes in personnel over the years meant that it was difficult to determine exactly what had happened.
- The full implementation (this year) of the ContrOCC system meant that tracking payments was easier and more robust.
- The issues identified in the report did not contribute towards the overspend in adult social care services.
- Work had started to recover money from organisations that had been over paid. Payment plans had been agreed with some providers.

2.3. Kathy Freeman, Tom Brown and Abdul Kayoum responded to questions from members of the two committees – the following key points were noted:

- Since the implementation of the Care Act (2014) there had been a responsibility on all local authorities to ensure the sufficiency of the local care market. This may have resulted in a decision (in 2015) to approve upfront payments to care providers. However, it was not clear why this continued to happen routinely.
- The homecare workforce was underpaid and undervalued. Lewisham paid the London Living Wage to providers but the profits of care companies were marginal and some struggled to survive.
- It was not unusual for councils to provide upfront payments to care providers because of the vital nature of the services they provided to vulnerable residents.
- Some of the payments related to a period in which the Council was changing its financial systems and some advanced payments were likely made to ensure the sufficiency of providers.
- Officers would consider the Council's financial regulations – and confirm that advanced payments were against the rules. Where advanced payments were made in future – this would be on an exceptions basis and would be clearly documented.
- Some of the financial processes that the Council had were previously based on spreadsheets, which were owned, updated and understood by a limited number of people. The implementation of the ContrOCC system provided up to date and more easily accessible information.
- Consideration was being given to improving the culture of the Council's finance teams – and their relationship with service managers.
- Work was still taking place to determine the extent of potential financial losses since 2016. An exact figure could not be currently be provided (although it was believed that this was not 'as material' as had been reported in the internal audit report).

- The process of reconciling payments with old invoices was made more difficult by the change of Council systems in 2018 – and a fire at one of the Council’s archiving facilities. Consideration was being given to contacting suppliers to provide historic invoices.
- This process was further complicated by: the requirement for physical access to some documents; the change to remote working; changes in personnel; other factors beyond officers’ control.
- Regular meetings took place between officers and the Cabinet Member for Finance and Resources.
- It was acknowledged that lack of capacity had been a longstanding issue in Lewisham’s finance teams. Work was taking place to improve the Council’s finance functions – but this was taking place in the context of a further requirement for cuts.

2.4. Angela Scattergood addressed the meeting – the following key points were noted:

- The internal audit report was welcome.
- Systems were in place to manage payments for transport services. Full reconciliation had taken place with payments, invoices and credit notes for over payments. There was no financial loss from the service.
- Following the audit report systems had been formalised and strengthened and each and every invoice was being matched with expenditure.
- All actions in the audit action plan had been followed through and were either complete or due for completion.
- It was felt that some of the issues raised in the internal audit report were misleading – and stemmed from a lack of understanding of the services being provided.
- Directorate officers would welcome additional oversight of internal audit reports in future – in order to provide clarifications and resolve misunderstandings.

2.5. In the committees’ discussion the following key points were noted:

- Members welcomed the progress that had been made in relation to passenger transport and the effectiveness of the internal audit process in identifying and resolving potential issues.
- There was a need for culture change (and an increase in capacity) in the Council’s finance functions.

3. Recommendation

3.1. The Chairs of the two committees agreed to receive a further update from officers by 19 November and, based on the progress made, agree whether or not additional scrutiny is necessary at the formal meetings of Public Accounts Select Committee (1 December) or Audit Panel (7 December).