

## LONDON BOROUGH OF LEWISHAM

NOTES of an inquorate meeting of the AUDIT PANEL, which was open to the press and public, held on TUESDAY 21 SEPTEMBER 2010 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7 p.m.

### Present

Councillors Harris, and Peake and Mr.Webb.

### Audit Commission

Sue Exton (District Auditor), Geoffrey Banister (Audit Manager), and Jayne Rhodes (Team Leader).

### Officers

Janet Senior	Executive Director for Resources
David Austin	Interim Audit and Risk Manager
Steve Mace	Finance Shared Services Manager
Richard Lambeth	Group Finance Manager – Accounting Services
John Johnstone	Principal Accountant - Closing

Apologies for absence were received from Councillor Bonavia, and Mr King.

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1 MINUTES (page

As the meeting was not quorate the minutes would be resubmitted for approval at the next scheduled meeting.

2 DECLARATIONS OF INTERESTS (page

There were no declarations of interest.

3 DISTRICT AUDITOR'S ANNUAL GOVERNANCE REPORT ON THE 2009/10 ACCOUNTS (page

The progress report was presented by Sue Exton (District Auditor) who highlighted the adjustments to the financial statements, and the key messages within the report. She confirmed the Audit Commission proposed to issue an unqualified audit opinion and an unqualified Value for Money conclusion.

She identified two outstanding issues relating to the Cash Flow Statement and to receipts in advance and indicated all the other issues raised in her report had been resolved. She anticipated the Audit of the Accounts would be completed by the statutory

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deadline of 30 September.

Jayne Rhodes explained the Audit Commission had identified three significant risks. The first was IFRIC 12 involving four of the Council's PFI schemes and a material error of £83m linked to out of date valuations. The second was the Lewisham Homes pension indemnity and incorrect disclosures of debtors and income in the group accounts. The third was in the accounting for Large Scale Voluntary Transfers with £17m of impairment in the Lee Housing Stock Transfer being incorrectly treated as a loss on disposal.

Geoffrey Banister stated a separate report on the governance of the Pension Fund had again been commissioned this year, owing to the Fund being a separate entity. An unqualified audit opinion had been issued. He pointed out a number of non material errors had been corrected subsequent to the Council meeting held in June.

The Finance Shared Services Manager accepted that technical adjustments needed to be made to the Accounts. He believed that while the external auditors report tended to focus on errors, it did confirm the day to day accounting practices of the Council were very solid and the financial information provided was of good quality.

The Chair sought clarification on the risk of possible charges to the Housing Revenue Account arising from the treatment of Lewisham Homes Pension Fund Indemnity.

The Executive Director for Resources said she would strongly resist such a technical change impacting on the Housing Revenue Account. She had consulted colleagues in other local authorities on the issue and they had confirmed they agreed with her interpretation that this mismatch in the group accounts should not be allowed to negatively alter the Housing Revenue Account.

The Chair asked to be updated on moves to ensure IFRS compatibility. The Group Finance Manager for Accounting Services said roughly 20% of the requirements had been implemented in 2009/10 as required and the remainder would be introduced with the next set of Accounts. The Chair queried if implementing the bulk of changes required in the second year would lead to delays. The Group Finance Manager stated a Project Plan was in place which would deliver fully the new requirements within the recommended timescale. The Chair pointed out the Plan could be undermined by having to prioritise

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further work that might be necessary relating to additional budget savings. The Executive Director for Resources responded by saying the work would be reviewed with the Audit Commission and she promised she

would ensure the Action Plan would be considered by the Audit Panel.

The Chair asked if any particular directorate was contributing to delays in closing the accounts and was assured there was no particular pattern to the delays.

The Chair noted the LSVT Lee Stock Transfer accounting error had occurred in more than 1 year's accounts. The Finance Shared Services Manager explained the background to the entire process and why it had not been possible to prioritise rectification of this error.

Mr Webb asked the Audit Commission to explain their Materiality Calculation. Jayne Rhodes said materiality was 1% of gross expenditure and triviality was 1% of materiality.

4 APPROVAL OF THE 2009/10 AUDITED STATEMENT OF ACCOUNTS

This could not be undertaken by the inquorate meeting.

5. INTERNAL AUDIT UPDATE REPORT (page

The Interim Audit and Risk Manager presented the report. He invited Alan Docksey, the Head of Resources Children & Young People, to explain the items from his directorate which still appeared on the summary lists of outstanding high and medium audit recommendations.

Mr Docksey reported on each as follows:

- (i) Family Support and Intervention - these had been reduced to 3, as two had been completed since the report was written. The other three all had resource implications.
- (ii) Fair Playbuilder Programme - the government had suspended the programme so there were no live projects.
- (iii) Education Business Partnership - further details were required before a report could be made.
- (iv) Estate Management - all 3 had now been completed.

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(v) Fostering overpayments - 1 outstanding audit would be completed soon.

(vi) Integrated Children System - this had a difficult history and further investigation was necessary.

The Chair raised concerns about the Community Services items. He was told a new manager had just been appointed and he would be addressing the deficiencies.

The Chair asked for realistic implementation dates to be set for each item and was assured by the Executive Director for Resources this would be done.

The Chair raised the issue of sub-letting and reported on the differing views expressed at the Housing Select Committee. He asked for a report to be considered at the next Audit Panel on the issue which was to include the views of all involved agencies and with other neighbouring local authorities.

The meeting ended at 8.26 p.m.

Chair