

AUDIT COMMITTEE

Tuesday 17th March 2015 at 7:00pm

PRESENT: Councillors Murtagh (Chair), Khan, Sabiers, Murray and A. Stafford.

IN ATTENDANCE: Steve Lucas and Neil Thomas (KPMG).

The Chair thanked David Whelan, Capita Asset Services, for giving a presentation before the meeting on effective Treasury Management.

Following introductions

1. Apologies for Absence

Apologies were received from Mr. Conrad Bryan.

2. Urgent Matters

There were none.

3. Matters to be Considered in Private

Item 7 contained a confidential appendix but this was not taken in private as it was not necessary to discuss the detail of the confidential information provided.

4. Declarations of Interest

There were none.

5. Minutes

RESOLVED:

That the minutes of the meeting held on 14th January 2015 be agreed and signed as a true and correct record.

6. Matters Arising from the Minutes

The Chair drew the Committee's attention to Item 6 of the previous minutes, where Conrad Bryan had enquired about the Authority's Waste Transfer Notes. In response, Steven Tinkler, Head of Audit and Investigations, explained to the Committee that recommendations regarding Commercial Waste were made on the basis that, every transfer of waste between two parties must be covered by the appropriate documentation. For non-hazardous waste, this is a Waste Transfer Note (WTN) and for hazardous

waste, a Consignment Note. A transfer note must be completed, signed and kept by the parties involved if waste is transferred. This is a requirement of the Environmental Protection (Duty of Care) regulations 1991. The sample testing completed during the audit identified a number of organisations where a signed waste transfer notice could not be located. This therefore identifies that the organisations could be in breach of the EP regulations. Contracts were however in place and therefore the risk relates to regulatory compliance rather than organisations not being charged for services.

7. Treasury Management Report – Quarter 3 Update 2014/15

Maria Christofi, Director of Finance, introduced this report, providing an update on the Council's borrowing and investment activities during 2014/15 for the year to 31 December 2014 and providing information on the economic conditions prevailing in the third quarter of 2014/15. Recommendations for the Committee were set out in paragraph 1 of the report.

The key messages from the report that:

- All treasury management activities were executed by authorised officers within the remit agreed by the Council.
- All investments were made to counterparties within the Council's approved lending list.
- The Council's remaining investment with the Icelandic bank Glitnir was still held in an escrow account in Iceland at the end of the quarter. However, post quarter end officers participated in an Icelandic Central Bank currency auction to gain access and allow repatriation of the funds. The sum of £0.308m was returned to the Council on 13th February 2015.
- There has been no long-term borrowing raised so far this financial year, 2014/15.
- The Council earned a return of 0.580% on its lending, outperforming the actual rolling average 7 Day Libid rate of 0.355%.
- The HRA debt is being managed separately from General Fund debt.

Councillor Murray asked officers whether the investment had been too risky and if the cost to the Council might exceed the benefit. Maria Christofi explained that the money invested had been accruing interest on the Icelandic

side. Although the currency auction had resulted in a shortfall recovery of £0.133m, this amount was partly made up of interest accrued on the original investment. Officers had taken advice and discussed it with the portfolio holder, and it was agreed to take the opportunity to take part in the currency auction. Other methods of recovery would likely have resulted in higher losses, as explained in paragraphs 5.13 and 5.14 of the report. The recovered £0.308m had been secured and was back with Ealing.

In response to Councillor Murray's query about Ealing's investments as detailed in paragraph 5.8 of the report, Maria Christofi said that the Authority's treasury advisers keep the Authority notified of any changes in the counterparties' ratings.

RESOLVED:

That the Audit Committee:

- i) Notes the Treasury Management activities and performance against targets for the nine months to 31st December 2014.
- ii) Notes the Council's investment balance of £193.293m as at 31st December 2014 of which £59.80m was invested in other Local Authorities (set out in Appendix 1).
- iii) Notes the Council's current lending list (set out in confidential Appendix 2).

8. KPMG Audit Plan 2014/15

Maria Christofi introduced this report, setting out in detail how KPMG will deliver their financial statements audit work for the Council's accounts and Pension Fund. It was important to note that the Plan enabled Ealing to move towards statutory deadlines as they change. Ealing was edging towards the government's preferred process and were in a good position to comply with the desired timetable.

Neil Thomas, KPMG, introduced the KPMG section of the report. The Plan focussed on systems of transactions, areas of heightened risk, maintained schools and balances, and Pension Fund reforms. The Plan was recommended to the Audit Committee.

In response to Councillor Khan's enquiry, Neil Thomas explained that external auditors gave due regard to the work of the internal Audit team, and although they sometimes used a different approach they had regular meetings with their internal counterparts.

RESOLVED:

That the Audit Committee notes the strategy set out in the KPMG audit plan for the 2014/15 closedown process.

9. Indicative Internal Audit Plan 2015/16

Steven Tinkler, Head of Audit and Investigations, introduced this report, detailing the proposed operational Internal Audit plan for 2015/16. The internal Audit influences big items of business, and is often involved at early stages, such as during the Agresso upgrade. Steven Tinkler was often involved as an ongoing presence. There was to be a focus on schools in next year's Internal Audit, and the Internal Audit would look to target resources in the right places.

Steven Tinkler drew the committee's attention to paragraph 3.5.1 of the report. The plan was based on the delivery of a total of 750 audit days, which was a reduction of 38 days compared to the previous year's activity. This was part of making better use of the resources available, and a part of the plan to enter into a shared arrangement with Hounslow. The aim was to share resources and learning, whilst increasing efficiency, without detriment to the impact. The plans for the Shared Service were on track and a report on it was due to be approved that night. Officers were working towards a start date of 1st July 2015. Hounslow had an in-house resource which officers wanted to utilise as part of the Shared Service.

There was no continuous Audit at this time. The department was always identifying possible weaknesses and risk. The department did not check every invoice but checked all systems and process of delegations. Maria Christofi added that the Internal Audit department tested internal control environment, and limited or no assurance led to action. Checking every transaction was not currently the approach used by Ealing, although the Shared Service may enable Ealing to consider it. The planned cross-cutting approach was a good way forward, and current ongoing work was mostly successful.

In response to Councillor Sabier's query about the lack of reference to the number of audit days, Steven Tinkler said it had been done deliberately out of personal choice, and wanted the Audit Committee to be mindful of assurances.

RESOLVED:

That the Audit Committee reviews and approves the proposed Internal Audit Plan for the period 1st April 2015 to 31st March 2016.

10. Counter Fraud, Intelligence and Investigations Plan 2015/16

Steven Tinkler introduced this report, outlining the proposed planned work of the Fraud Team for the year 1st April 2015 to 31st March 2016. The Fraud Team were also set to benefit from a Shared Service arrangement with Hounslow. The report gave an overview of the different types of fraud that the Authority tended to come across, and the ways of combatting them. Ealing operated a good, enhance vetting process for all appointments, which had been very effective and had made Ealing a leading exponent in this area. There was to be investment this year in recovering from fraud. The Authority was working with experts in this area, and officers involved in the Shared Service were currently going through training in this area. Ealing was not soft on fraud and was diligent in pursuing and preventing it.

There was to be a focus on vetting temporary appointments as well as permanent ones. It was a key area of work for the department at the moment as they measured the significant risk and reviewed the previous levels of risk concerning temporary appointments. There had been no sinister finding so far but there was more work still to be done in this area.

In response to Councillor Murray's question about uncompleted investigations, Steven Tinkler replied that any uncompleted investigations at the end of the year are carried over into the next as active workload. This could often not be helped as cases were sometimes very complex.

Councillor Sabiers highlighted a recent incident involving counterfeit French IDs, in which the system used by Ealing caught all instances of their use efficiently. Maria Christofi added that Ealing operated additional checks within its systems such as ID checkers.

Councillor Murray asked what form procurement fraud usually took. Steven Tinkler replied that it could be done in the form of a deliberate failure to declare interests, having inappropriate relationships with contractors, circumventing rules or by accepting inappropriate gifts and hospitality. There were a number of checks for detecting such fraud, and many ways of identifying it. Whistleblowing was a key source for the department.

RESOLVED:

That the Audit Committee approves the planned programme of work for 2015/16, as set out in Appendix A of the report.

Councillor Sabiers enquired about the absence of a Strategic Risk Register in the report. Steven Tinkler replied that a Strategic Risk Register had been presented at the January meeting, and that his department were in the

process of refreshing it. A new Strategic Risk Register would be presented at the next meeting in June.

11. Date of the Next Meeting

The next meeting is scheduled for Thursday 25th June 2015, in Committee Room 2, Ealing Town Hall.

Councillor Tim Murtagh, Chair

The meeting finished at 8:45pm.