

## AUDIT COMMITTEE

Tuesday 23<sup>rd</sup> Septembere 2014 at 7.00pm

**PRESENT:** Councillors Murtagh (Chair), Khan (Vice-Chair), Murray, Padda (for Sabiers), A Stafford, and Conrad Bryan (Independent Member).

**IN ATTENDANCE:** Steve Lucas and Tony Crawley (KPMG)

Following introductions

**1. Apologies for Absence**

There were none.

**2. Urgent Matters** The Chair informed members that the training originally planned for tonight would be rescheduled for the meeting in January 2015.

**3. Matters to be Considered in Private**

Items 8 and 11 contained confidential appendices but were 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 of the Last Meeting**

Members were advised that some minor amendments had been made to the draft minutes sent out with the agenda namely

- (i) Steve Lucas and Tony Crawley KPMG, were added to the attendance
- (ii) Corrections to the spelling of Steven Tinkler's name.

Resolved:

That the minutes of the meeting held on 24 June 2014 with above corrections/additions be agreed and signed as a true and correct record.

**6. Matters Arising from the Minutes**

There were no matters arising

**7. Audit Committee Consideration of the Council's Annual Statement of Accounts**

Ian O'Donnell, Executive Director of Corporate Resources, introduced the report, a draft of which had been circulated at the previous meeting. The accounts had been prepared two weeks ahead of schedule and had been presented at the previous meeting for information. He commended officers for their hard work and felt sure that the auditors would bear this out in their report.

Recommendations for the committee were set out in paragraph 1 of the report

*The minutes should be read in conjunction with the agenda for the meeting. They are subject to approval and signature at the next meeting of this Committee.*

Tony Crawley, KPMG, took members through the report, drawing members' attention to the headlines in section 2

Proposed Audit Opinion – KPMG expected to issue an unqualified audit opinion on the Authority's financial statements by September 2014. Similarly KPMG expected to issue an unqualified audit opinion in relation to the Pension Fund's annual statement at the same time.

Audit Adjustments – There were no material adjustments to the primary accounts

Key financial statements audit risks – The auditors had worked with officers on the risks for this year and were satisfied that issues had been addressed.

Accounts production and audit process – the accounts had been prepared 2 weeks ahead of schedule but he alerted members that it may be a requirement from 2017/18 to produce accounts by the end of May each year.

Control environment – The organisational control was found to be effective and there were no significant weaknesses identified.

VFM conclusion and risk areas – it was found the proper arrangements had been made in relation to economy, efficiency and effectiveness and an unqualified VFM conclusion would be issued.

Completion - the financial statements were substantially complete

Audit certificate - No objections had been received from local electors this time and the audit certificate would be issued by 30 September 2014. It was very positive for LB Ealing.

Audit differences – Section 3 detailed audit differences which were being addressed. It was anticipated that an unqualified audit opinion on the Pension Fund Annual Report would be issued at the same time as the Statement of Accounts.

Audit Production and Process – pages 8-11 detailed the audit process and accounts production

Declaration of Independence and Objectivity – page 16 contained the required declaration in compliance with the Code of Audit Practice.

Tony Crawley advised members that

The Chair asked whether the reserves of £102.5m were healthy? Tony Crawley stated that there were no prescribed levels for the council to gauge within the financial strategy and no benchmarks to measure against. It was for each council to manage their finances prudently. There were some big challenges facing councils and new ways of working to improve efficiencies would have to be found. The Council's finance department would need the support of other departments.

In response to a question from Councillor Murray, Ian O'Donnell reported further on the business recovery team exercise to plan for continuity of services during an emergency. All business continuity plans were now being reviewed incorporating the lessons learned.

Conrad Bryan congratulated the finance team for the early completion of the accounts

Maria Christofi stated that the team had been working very hard to improve the process; the amount of paperwork in the statement of accounts had been reduced. One possibility was the soft closure of accounts at an earlier time.

Ian O'Donnell commented that Westminster had produced early accounts but they then required 150 adjustments.

Councillor Murray queried whether there were underlying reasons for the issues with regard to the Social Worker caseloads (page 114 (4) ). Ian O'Donnell stated that it was for the reasons in the table; given the council's limited resources it was important for those looking at the accounts to understand the council's position. He believed that the mitigation that was in place would cope with the situation which was being monitored.

In response to a question from Councillor Stafford about the connection between the benefit cap and the increase in homeless persons Ian O'Donnell stated that he had recently met with the head of the Homeless Persons Team who had said the people mainly presenting as homeless were those in private sector accommodation who were unable to continue to afford rents because of the benefits cap. Landlords also were not keen on renting to tenants on benefits. There were no statistics at present but would be some in the near future.

Resolved:

That the Audit Committee

- (i) Approves the Annual Governance Statement for 2013/14 (contained within the main Statement of Accounts pack at the rear of Appendix 2).
- (ii) Considers the Report to those charged with governance (International Standard of Auditing 260 (ISA 260)) 2013/14 for the London Borough of Ealing issued by the Council's external auditors, KPMG and any findings and management responses by Officers (Appendix 1).
- (iii) Approves the audited Statement of Accounts for 2013/14 for the London Borough of Ealing and London Borough of Ealing Pension Fund (Appendix 2) and authorises the signing thereof by the Chair of the Audit Committee at its meeting on 23<sup>rd</sup> September.
- (iv) Approves the letters of representation and for them to be signed by the Chair of the Committee and the Executive Director of Corporate Resources.
- (v) Thanks officers for their hard work on the accounts.

## **8. Treasury Management Quarter 1 Update 2014-15**

Maria Christofi, Director of Finance, introduced the report which outlined the Council's borrowing and investment activities, for the first quarter of 2014/15 ending June 2014.

She advised members of the Council's investments balance of £230.988m as at 30 June 2014 of which £45.1m was invested in other Local Authorities listed in in Appendix 1 as members had requested.

She drew members' attention to the key messages from the report

- All treasury management activities were executed by authorised officers within the parameters agreed by the Council.
- All investments were made to counterparties on the Council's approved lending list and within agreed limits.
- The Council's remaining investment of £0.407m with the Glitnir bank that is still retained in an Icelandic escrow account has now increased in value to £0.441m as a result of interest being accrued.
- There was no long-term borrowing raised during the period to 30 June 2014.
- The existing long-term debt reduced from £492.950m to £486.313m in the first quarter due to debt maturing.
- The Council earned an average investment return of 0.558% on short term lending, outperforming the rolling average 7 Day Libid rate of 0.341%.
- The Council currently holds no investments with overseas financial institutions (excluding the balance of £0.441m of the retained Icelandic investment).
- The HRA debt is managed separately from General Fund debt.

She advised members that this was a more succinct report, building a picture of what happens in each quarter.

In response to a question from Councillor Padda about the investment retained in an Icelandic escrow account, she informed members that it may take some time to get the money back. Ian O'Donnell added that the LGA had been spearheading efforts on behalf of local councils to effect the return of monies owed using Iceland lawyers. Ealing was however, continuing to receive a decent rate of interest on the funds.

Resolved:

That Audit Committee:

1.1 Notes the Treasury Management activities and performance against targets for the first quarter to 30 June 2014.

1.2 Notes the Council's investments balance of £230.988m as at 30 June 2014 of which £45.1m was invested in other Local Authorities (set out in Appendix 1).

1.3 Notes the Council's current lending list (set out in confidential Appendix 2).

**9. Internal Audit Performance Report Q2 2014/15**

Steven Tinkler, Head of Audit and Investigation introduced the report which set out the work of the Counter fraud, intelligence and investigation team for the period 1 April - 31 August 2014.

Referring members to the table at para 3.4, four audits had been issued with an assurance opinion of limited. Audit had agreed action plans with these four which were underway. If ultimately Audit was not satisfied with progress then there would be a performance monitoring meeting with the relevant Directors.

Responding to a question from Councillor Murray, Steven Tinkler confirmed that school systems were monitored albeit with an arms length approach.

Conrad Bryan asked about the financial risk in respect of Commercial waste. It was explained that where the waste transfer notes were missing there was a risk of charges not being applied correctly. Ian O'Donnell added that this approach ultimately increased the number of clients that Ealing would accrue and thus increase revenue.

Resolved:

- (i) That the Audit Committee notes Internal Audit's performance and key issues arising during the period 1 April - 31 August 2014. (Appendix A).
- (ii) That a vote of thanks be recorded for John Allsop for his work during his time at LB Ealing

**10. Counter fraud, intelligence and investigation report to August 2014**

Steven Tinkler, Head of Audit and Investigation, introduced the report which described the work of the Counter fraud, intelligence and investigation team for the period 1 April 2014 to 31 August 2014. He drew members' attention to

Paragraph 13 Single Fraud Investigation Service (SFIS)

SFIS, the formation of a single fraud investigation service, a partnership between DWP, HMRC and Local Authorities, covering the totality of welfare benefit fraud was confirmed in the Autumn Statement on Thursday 5 December 2013 by the Chancellor of the Exchequer.

Since the last report to the committee, the Council received confirmation from the DWP that the implementation of SFIS at Ealing would take effect from the 1 October 2014. The implications for the Council in respect of this are:

- Housing Benefit fraud cases will be investigated by the DWP from 1 October 2014;
- Four HB Investigators will TUPE transfer to the DWP on the 1 October 2014, in accordance with the SFIS national project.

Whilst the Council would see a reduction in its counter fraud resource, the resources transferring had been dedicated to the investigation of HB fraud matters only. The counter fraud resource available to investigate non HB fraud cases would be unaffected.

Steven Tinkler expressed his thanks to the four members of the team transferring to the DWP for their dedication, hard work and efforts to combat HB Fraud.

Ian O'Donnell explained in further detail the way the HB subsidy worked in that when fraud was discovered and benefits stopped then the subsidy was lost and would have to be clawed back. Because of the way universal credit was set up Ealing would be in a queue for reimbursement.

Resolved:

That Audit Committee notes:

- (i) the excellent work undertaken by the Counter Fraud, Intelligence and Investigation team; and
- (ii) the excellent team performance during the same period (appendix A).

## 11. Risk Management Performance Report

Steven Tinkler, Head of Audit and Investigation, introduced the report which described the progress of the Council's Risk Management Framework and provided an update on the key strategic risks facing the Council.

Members were referred to the table at para 3.6.1 which set out the 15 strategic risks 2 of which were red. Appendix 2 set out the register in more detail. The 2 high risks would be discussed further at Corporate Board the next day

In response to a question from Councillor Murray about management of the risks it was explained that there was a significant review process involving officers, members of Corporate Board and elected members. This was an embedded process which ensured early identification and tracking of risks.

Conrad Bryan asked whether the risk relating to safeguarding children was likely to be upgraded. Steve Tinkler confirmed that this would be discussed at Corporate Board and would be subject to regular reviews. The Chair commented that all councillors would be attending training on safeguarding.

Resolved:

That the Audit Committee notes:

- (i) Progress of the Council's Risk Management Framework.
- (ii) The Strategic Risk Register (Appendix B) to assure itself that sufficient and appropriate actions are being undertaken to safeguard the Council's business and reputation.

**11. Date of Next Meeting**

The Chair proposed a change of date for the next meeting from 21<sup>st</sup> January 2015 to the earlier date of 14<sup>th</sup> January 2015 and sought members and officers approval

Resolved:

That subject to the approval of the Whips and Monitoring Officer, the next meeting of the Audit Committee be rescheduled to 14<sup>th</sup> January 2015

COUNCILLOR Tim Murtagh, Chairman

The meeting ended at 8.15pm