

AUDIT COMMITTEE

Thursday 20 March 2014 at 7.00pm

PRESENT: Councillors Murtagh (Chair), Sabiers, Cowing, Potts, and Conrad Bryan (Independent Member).

Following introductions

1. Apologies for Absence

There were none.

2. Urgent Matters

There were none

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

Resolved:

That the minutes of the meeting held on 23 January 2014 be agreed and signed as a true and correct record.

6. Any Matters Arising from the Minutes of the Last Meeting

7. External Audit Reports and annual Letter

Maria Christofi, Director of Finance, introduced the report which set out in detail the work to be undertaken for the audit of the 2013/14 Council accounts and the associated costs, the progress to date and details of certifying the 2012/13 audit. She highlighted the key issues and timetable for members' information and advised that regular training sessions for members would be scheduled into the meetings programme from June 2014.

Tony Crawley, KPMG, took members through the progress report in more detail. By way of background he explained that the Audit Commission would be winding down by March 2015 and the Government Cabinet Office would be overseeing the National Fraud Initiative. KPMG had an option for a contract extension.

He then went through the Audit Plan 2013/14 highlighting the statutory responsibilities and the structure of the report.

The headlines on page 2 summarised the position and each area was reported on in more detail in the remainder of the report.

Following work on the objection received from a local elector relating to the financial statements for the year ended 31st March 2013 KPMG found no evidence of the Authority acting unlawfully and also rejected the objector's request for a public interest report. The Audit Certificate was subsequently issued on 18th February 2014.

Members' attention was drawn to the confirmation statement on page 8 confirming that KPMG was independent.

Page 10 set out the other issues to be taken into account – standard risks for all organisations.

- Management override of controls
- Fraudulent revenue recognition

Pages 11-14 detailed the VFM Audit approach

Page 16 outlined the key deliverables including reports and opinions.

Page 18 set out the fees including for the Pension Fund audit, and the assumptions behind them.

The fees for housing and council tax benefit were £7000 less than the original estimate. With regards to grants/rates there would be a further update later in the year.

Pages 19-21 summarised KPMG's responsibilities regarding independence and objectivity.

Councillor Cowan asked about the objector. Tony Crawley confirmed that a determination was made on 14th February 2014 and the objection was not borne out by evidence and the Audit Certificate was subsequently issued.

Resolved:

That Audit Committee notes the strategy set out in the KPMG audit plans and the progress to date.

8. Treasury Management Midyear Update 2013-14

Maria Christofi, Director of Finance, introduced the report which provided an update on the Council's borrowing and investment activities, for the three quarters to 31 December 2013.

She drew members' attention to the main points from the report

- 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 tender list
- The Council's remaining investment of 0.407M with Glitnir is still being held in an escrow account and continues to earn interest at the rate of 4.2%

- The Council currently holds no investments with overseas financial institutions (apart from Glitnir)
- The Council earned a return of 0.550% on its lending, outperforming the actual rolling average 7 Day Libid rate of 0.348%
- There has been no long term borrowing raised so far this financial year 2013/14
- The HRA debt is held separately from the General Fund debt

Paragraph 5.8 outlined a list of investments held at 31 December 2013. With regards to the Icelandic investment, officers were trying to recover withholding tax applied to the interest accrued in 2012/13

Members were advised that an underspend in the budget would be used to fund a one off cash injection into the pension fund in order to preserve employer contributions (as submitted to full council in February 2014).

Resolved:

That Audit Committee:

1.1. Note the Treasury Management activities and performance against target for the three quarters to 31 December 2013.

1.2. Note the Council's current governance and reporting arrangements in line with CIPFA's best practice recommendations, as set out in paragraph 7.

1.3. Note the Council's investments in other Local Authorities as at 31 December 2013 (set out in Appendix 1).

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

1.5. Note that the Council continues to operate a dual Treasury Management Strategy for managing the General Fund (GF) and the Housing Revenue Account (HRA) debt.

1.6. Note the position on Pension Fund investments, since Pension Fund cash is being invested separately from the Council.

1.7. Note the update on the Council's deposit retained in an Icelandic escrow account.

9. Counter fraud, intelligence and investigation report to March 2013

Harriett Aldridge (Interim Head of Audit and Investigation) introduced the report which Set out the work of the Counter fraud, intelligence and investigation team for the period 1st April 2013-28th February 2014

Members were referred to the table in appendix A (page 6) paragraph and the accompanying commentary. Good progress was being made.

Members were also asked to approve continuing the external partnership with LB Hounslow until the permanent appointment was made.

Maria Christofi stated that the partnership was working well as could be seen from the results and the alignment of the respective teams was good.

In response to a question from Councillor Sabiers about the financial losses identified totalling £510k, it was reported that it was expected to recover a significant proportion of this amount

Resolved:

That the Audit Committee:

- Notes the work undertaken by the Counter Fraud, Intelligence and Investigation team
- Approves an extension of the existing arrangement for sharing the Head of Internal Audit and Investigation post with the London Borough of Hounslow.
- Notes the team performance during the same period (Appendix A).

10. Counter Fraud Work Plan

Harriett Aldridge, Interim Head of Audit & Investigations, introduced the report which outlined the proposed planned work of the Fraud Team from 1st April 2014-31st March 2015. Members' attention was drawn to the objectives and targets for 2014/15 in Appendix A

Resolved:

That the Audit Committee approves the planned programme of work for 2014/15

11. Indicative Annual Internal Audit Plan

Harriet Aldridge, Interim Head of Audit & Investigations, introduced the report, which set out the proposed planned work programme of Internal Audit for 2014/15

She informed members that the plan was risk based, providing core baseline assurance, evaluating the adequacy of the control environment to the efficient and effective use of resources.

Members' attention was drawn to appendix B which set out the plan in more detail

Resolved:

That the Audit Committee approves the planned programme of work for 2014/15

12. Risk Management Performance Report

John Allsop, Senior Auditor, introduced the item taking members through some of the headlines relating to the following paragraphs.

3.1 Strategic Risk Register

This is made up of

- Corporate risks that could impact on the achievement of aims articulated within the Council's Corporate Plan and also its longer term objectives.
- They include significant events that could impact upon the infrastructure and the efficient operation of the Council.
- These risks should cover the full range of principal objectives and are likely to require ongoing control

3.3 Staff Training

Gallagher Basset, the Council's Insurers, offered to provide training on the Essentials of Enterprise Risk Management (ERM). ERM is an advanced risk methodology which can add significant value by promoting holistic and coordinated risk management activities across the organisation.

The training course, which was very well subscribed, took place on 6th and 7th March and feedback from delegates was very good.

3.4 Corporate Risk Management Forum

CRMF met on 10 March 2014 and considered reports in relation to:

- Progress of the Council's Risk Management Framework.
- Insurance Update
- BCP Update
- Contract Register Update
- The current status of the Council's Strategic Risk Register

3.5 Out of Date Risk Analysis

As the table indicates there are no risks across the Council which are out of date. Appendix A provides a detailed analysis of performance.

3.7 Strategic Risk Register (SRR)

The table below summarises the movement in the SRR since it was last reported to Audit Committee. Appendix B sets out the SRR in detail. Appendix C shows the heat map

Councillor Potts referring the staff training commented that there was a need to consider training for the new councillors following the elections. Maria Christofi stated that this would be integrated with the 6 month training.

In response to a query from Conrad Bryan about JCAD developments and contracts, Maria Christofi stated that this was a good way of tracking and served to reinforce any actions that were needed.

Resolved: That the Audit Committee note

- i.) Progress of the Council's Risk Management Framework.
- ii.) The Strategic Risk Register (Appendix B) and notes that sufficient and appropriate

actions are being undertaken to safeguard the Council's business and reputation.

13. Methodology for the Draft Annual Governance Statement 2013/14 and Review of AGS 2012/13

Harriet Aldridge introduced the report which set out the methodology for producing the Annual Governance Statement (AGS) for 2013/14 and provides an update on the status of the significant governance issues outlined in the 2012/13 AGS.

She explained that this was an early sight of issues and would form part of the Statement of Accounts.

John Allsop took members through the report

Appendix 1 provided an overview and methodology including a flow chart on page 6

Appendix 2 set out the framework for the Annual Governance Statement. He drew members' attention to the table on page 10 which detailed the significant governance issues.

Councillor Potts commented that with regard to number 7 on the list, West London Waste Authority there may be other factors outside of Ealing. John Allsop stated that he could investigate this. Maria Christofi stated that this didn't feature in the Risk Register and she wasn't aware of any concerns

Resolved:

That the Audit Committee

- i.) Approves the attached Methodology;
- ii.) Notes the update on the status of the 12/13 significant issues; and
- iii.) Approves the draft AGS Framework 2013/14

14. Vote of Thanks

- (i) Councillor Murtagh was thanked for chairing Audit Committee over the past four years with courtesy, patience and diligence.
- (ii) Audit Committee thanked officers for their hard work and for serving the Council well.

15. Date of the Next Meeting

Members noted that the meetings for the next municipal year would be confirmed at Annual Council

COUNCILLOR Tim Murtagh, Chairman

The meeting ended at 8.05pm