

AUDIT COMMITTEE

Tuesday 24th June 2014 at 7.00pm

PRESENT: Councillors Murtagh (Chair), Khan (Vice-Chair), Sharma (for Murray) Sabiers, A Stafford, 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

The Chair informed members that the training originally planned for tonight would be rescheduled.

7. External Audit Reports – Annual Audit Report.

Maria Christofi, Director of Finance, introduced the report which set out in detail the work 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.

Steve Lucas, KPMG, took members through the progress report in more detail. He reminded members of the statutory powers and responsibilities which were summarised under the Code of Practice into two objectives requiring review and report on

- Financial statements (including the Annual Governance Statement) providing an Opinion on the council's accounts
- Use of resources, arrangements in place for securing economy, and effectiveness in the use of resources

He reminded members of local elector rights. Where a local elector objects to the accounts, the auditor needed to consider the objections and conclude on the issues before issuing the audit certificate.

He drew members' attention to the work undertaken by KPMG for 2013/14 to date which highlighted key risks, the first two being standard risks for all organisations.

- Management override of controls
- Fraudulent revenue recognition
- Triennial valuation of the Pension Fund and subsequent in year updates

Over the next quarter there would be focus on the 2013/14 financial statements including the Annual Governance Statement and Pension Fund, arrangements for securing economy, and effectiveness in the use of resources, reporting key findings and starting detailed work on the housing benefit claim.

Page 3 of the report set out a detailed timetable for action. Tony Crawley reported that there was some work to do around the business rates which was now not a part of the grants scheme.

Resolved:

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

8. Treasury Management Outturn 2013-14

Maria Christofi, Director of Finance, introduced the report which outlined the Council's borrowing and investment activities, for the financial year ending 31 March 2014.

She drew members' attention to the main points 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 limit.
- The Council's remaining investment of £0.407m with the Glitnir bank and still retained in an Icelandic escrow account has now increased in value to £0.441m.
- There was no long-term borrowing raised during the year to 31 March 2014.
- Long term debt was reduced from £494.898m to £492.950m
- The Council earned 0.552% on short term lending, outperforming the actual rolling average 7 Day Libid rate of 0.354%.
- The Council currently holds no investments with overseas financial institutions (apart from the balance of £0.441m of the retained Icelandic investment).
- The HRA debt is managed separately from General Fund Debt.

The council's cash balances had been maintained at an appropriate level.

Paragraph 5.16 detailed the level of funds available.

Paragraph 5.20 – the balance of £0.441m (including accrued and reinvested interest) was still being held in an escrow account in Iceland. This amount would be received once Icelandic capital controls are lifted.

With regard to the CFR at the end of the year the figure was £536.66M

Total long term borrowing stood at £492.95M. The table on p.12 gave a detailed breakdown.

Regular monitoring of the Treasury Management activities is carried out by senior management, the portfolio holder for Finance and the Treasury Risk and Investment Board (TRIB) which is chaired by the Executive Director of Corporate Resources.

The table on p13 shows that the budget equalled the outturn continuing the downward trend, putting the council in a strong position. The reduction mainly in borrowing costs enabled a one off contribution to the Pension Fund of £3.2M to stabilise contribution rates going forward.

In response to a question from Conrad Bryan about the £3.2M it was explained that the Pension fund valuation depended on numbers of staff employed in the council and their profile as well as the market at the time when the actuaries made their evaluation. Ealing was in a very good position at present.

Resolved:

That Audit Committee:

1.1 Notes the Treasury Management activities and performance against targets for the 12 months to 31 March 2014.

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

1.3 Notes the Council's investments in other Local Authorities as at 31 March 2014 (set out in Appendix 1).

1.4 Notes the Prudential indicators outturn for 2013/14 (set out in Appendix 2).

1.5 Notes the Council's current lending list (set out in confidential Appendix 3).

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

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

1.8 Note the update on the remainder of the Council's deposit retained in an Icelandic escrow account.

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

Steve Tumbler (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 - 31st March 2014

Members were referred to the table in appendix A which set out the performance against targets including the new investigations.

Steve Tumbler reported further on the counter fraud initiatives currently under way or completed. With regard to Enhanced Vetting a detailed analysis of the team's performance was detailed in the table in appendix B with examples of cases concluded in appendix C.

A new Single Fraud Investigation Service (SFIS) would commence in Ealing from October 2014.

The arrangements for sharing the Head of Audit and Investigation post had been extended for a further 6 months wef 1st April 2014

Councillor Stafford asked why the targets for 2013/14 were lower than for 2012/13. It was explained that it was difficult to set targets in anticipation of community fraud and the targets were set on the basis of averages over the previous 3 years. In response to a further question from Councillor Stafford about Blue Badge fraud prosecutions it was explained that while Ealing would always look to prosecute there were cases where it was not in the public interest to prosecute i.e. in those cases where there were issues of age and/or health.

In response to a question about the shared Head of Service, Maria Christofi explained that it was good practice with many advantages including shared knowledge and shared costs. A full business case was being drafted for the partnership arrangement.

With regard to the recovery rate for overpayment it was explained that many offenders were on low incomes so recovery of the full amounts was sometimes difficult.

In response to a question from Councillor Sharma about innovative fraud using new technology it was confirmed that whilst internet fraud had increased new procedures were being introduced to combat these.

Regarding the ID document scanners there were no figures available to determine their effectiveness to date although it was apparent that when people learnt that Ealing had document scanners they ceased to engage with applications etc.

Resolved:

That for the 12 month period 1 April 2013 – 31 March 2014, the Audit Committee:

- Notes the work undertaken by the Counter Fraud, Intelligence and Investigation team.
- Welcomes the strong team performance during the same period (appendix A).

10. Draft Statement of Accounts 2013/14

Maria Christofi introduced the report which presented the draft Statement of Accounts for the year ended 31 March 2014 for note and comment by the Audit Committee prior to the commencement of the annual audit of accounts in accordance with the statutory requirements contained within the Accounts and Audit Regulations 2011. Whilst it was not obligatory to present this to members at this stage, it was considered good practice to present the draft accounts to Audit Committee prior to external audit.

The team had worked hard and the accounts had been produced two weeks earlier than last year.

The General Fund Balance ended the year at £15.4M, which was above the target figure.

In response to a question from Conrad Bryan relating to HRA it was explained that a change in accounting procedures caused a distortion in the figures. In response to a further question about education budgets, Maria Christofi explained that the decrease was due to cuts in grant funding; savings were being made in all areas of the budget. In education the increased take up of school meals and the pressures on school places which would migrate to secondary school places were all factors.

Resolved:

That Audit Committee note the draft Statement of Accounts for the year ended 31 March 2014 and thank officers for their timely preparation of the statement.

11. Head of Internal Audit Annual Report 2013/14

John Allsop, Senior Auditor, introduced the report which set out the work of internal audit for the period 1 April 2013 to 31 March 2014, item taking members through some of the main points.

The Plan was approved by members in March 2013 and was subject to revision to take account of changing priorities and emergent risks. A detailed analysis of the Plan was set out in Appendix A.

The table at paragraph 3.4.1 showed the Plan in relation to the audits planned, started and completed including the assurances of those audits.

With regard to schools, in the year, Internal Audit carried out the following work within schools: 27 schools subject to a Probity audit and 12 follow up audits of schools with a 'limited assurance' opinion in 2012/13.

In response to a question from Councillor Sabiers it was confirmed that the limited assurances for schools was going down as schools were becoming used to the audit process. Audit would continue to encourage, guide and inform schools as needed. Academies could be helped if they were willing to buy in to the service.

Resolved:

That the Audit Committee:

- Notes Internal Audit performance and key issues arising during the period 1 April 2013 - 31 March 2014. (Appendix A).
- Endorses the use of the Head of Internal Audit Annual Opinion statement by the Council in support of its Annual Governance Statement included with the statement of accounts for the year ended 31 March 2014. (Appendix F).

12. Risk Management Performance Report

John Allsop, Senior Auditor, introduced the report which described the progress of the Council's Risk Management Framework for Q1 2014/15 and provided an update on the key strategic risks facing the Council.

Members were referred to paragraph 3.3 on Staff Training. Training on the Essentials of Enterprise Risk Management (ERM) took place in March 2014 and feedback from delegates was very good.

Also, and in order to facilitate officer centred learning, bespoke software has been utilised to capture on video key interactions with the JCAD Risk Management system. Thus, the following clips have been video recorded. How to:

- Access JCAD software and log on.
- Add a new risk/contract,
- Add a new control measure
- Evaluate and score new risks/contracts
- Update, withdraw and reinstate a risk/contract

All the video clips are:

- Available via the e-Learn Portal which all staff have access to
- In bite size portions of between 1-3 minutes.
- Accompanied by radio buttons to freeze, fast forward and rewind at the user's leisure.

Members' attention was drawn to the updated Risk Management Policy in Appendix D.

The Corporate Risk Management Forum (CRMF) met on 9th June and considered reports in relation to

- Progress of the Council's Risk Management Framework.
- The Strategic Risk Register
- Insurance/BCP/Data Protection Updates

Having considered the SRR in detail on a risk by risk basis, CRMF recommended that the following risk is added to the Register:

- CRB/ID0013 - Key Partnership - Increased charges claimed by Serco in respect of annual indexation and server support for managed desktop (Thin Client).

Resolved:

That the Audit Committee notes:

- i.) Progress of the Council's Risk Management Framework.

- ii.) The updated Strategic Risk Register (Appendix B) and note that sufficient and appropriate actions are being undertaken to safeguard the Council's business and reputation.

13. Draft Annual Governance Statement 2013/14

Steven Tinkler introduced the report which set out the methodology for producing the Annual Governance Statement (AGS) for 2013/14 and highlighted governance issues. A flow chart on page 6 highlighted this process in detail,

The table on page 18 set out the significant Governance issues for 2013/14.

Councillor Sharma asked what actions were being taken to resolve the poor performance issues set out (page 18) in the Environmental Services Contract. John Allsop confirmed that an Improvement Plan had been agreed and was being managed through the contract on a monthly basis. Councillor Sabiers added that OSC had reports submitted on a number of occasions. The contactor's performance was being monitored closely and there were ultimately powers to penalise the contactor if required.

In response to a question from Councillor Stafford about bed and breakfast Maria Christofi confirmed that there was money in the capital programme. Conrad Bryan asked about the possibility of increased risks for Children and Adults. John Allsop stated that this was being managed at present.

Resolved:

That Audit Committee notes the Draft AGS 2013/14.

14. Date of the Next Meeting

Members noted that the next meeting was scheduled for 23 September 2014 at 7.00pm.

COUNCILLOR Tim Murtagh, Chairman

The meeting ended at 8.45pm