

## **Audit Committee**

Wednesday 24<sup>th</sup> May 2017 at 7:00pm

**Present:** Councillors Murtagh (Chair), Murray, Manro and Sabiers and Mr Bryan.

**In Attendance:** Ross Brown (Director of Finance), Maria Campagna (Strategic Finance Partner - Corporate), Mike Pinder (Head of Audit & Investigations), Stuart Brown (PWC), Olesya Chikina (PWC) and Anthony Jackson (Democratic Services Officer).

**1. Apologies for Absence**

Apologies for absence were received from Councillor Young.

**2. Urgent Matters**

There were none.

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

Items 8 had appendices (Appendix A and C) that contained confidential information by virtue of paragraph 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972. The observer was asked to leave the room while the content of these appendices was discussed.

**4. Declarations of Interest**

There were none.

**5. Minutes**

**Resolved** – That the minutes of the meeting held on 28 February 2017 be agreed as a true and correct record, subject to:

- In relation to item 8, “CPMG” in the second paragraph, be changed to “KPMG” and, in the penultimate paragraph, the sentence be amended to read – “In response to a question from Councillor Stafford it was explained that all authorities’ targets were set on the basis of expenditure and savings were becoming harder to find.”
- In relation to item 11 in the second paragraph, “back reconciliations” being amended to “bank reconciliations”.
- In relation to item 13, the second line be changed to read “Jeremy Wellburn, Interim Head of Audit and Investigations...”

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

Members referred to the fact that at the previous meeting of the Audit Committee they had asked for full details of foreign investments into MMFs to be circulated to all Members of the Committee and that this action had not been discharged. Members asked that the information was circulated to all Members of the Committee within one week of this meeting.

**7. Internal Audit and Investigations Report Quarter 4 – 2016/17**

Mike Pinder (Head of Audit and Investigations) introduced the report. The report contained the Head of Internal Audit Report and Opinion on the Internal Audit work completed in 2016/17 and incorporated an update on the work of the Internal Audit and Investigations for Quarter 4, 1 January – 31 March 2017.

Councillor Manro referred to the table in the report which set out the summary position of planned audits and the current status and stated that a large number of the planned audits had a status of “reasonable assurance”. Councillor Manro asked officers for assurances that the Council’s finances were not at risk. Mr Pinder explained that each recommendation was weighted and Mr Stuart Brown explained that “reasonable” was not a bad place to be.

Councillor Sabiers referred to the same table, particularly number 9 and 10 and questioned why council tax was detailed as “high risk”. Mr Pinder confirmed that council tax should have had an audit status of “medium risk” for both numbers 9 and 10.

Mr Bryan asked why the scopes that involved cash were classified as “medium risk” and not “high risk”. Mr Pinder said that the classification was based on an assessment of controls and that each scope was classified once assurance had been reached on the level of controls in place. He said that the controls in place were strong enough to mitigate risk.

Mr Stuart Brown confirmed that he was impressed with the response to audits from Ealing Council’s officers. He said that officers seemed to take audits seriously and worked to implement the recommendations.

Mr Bryan also asked whether the number of bank reconciliations were low. He said it would be helpful if future reports on this subject provided a percentage of those which were unreconciled. Mr Ross Brown confirmed that this could be done for future reports if Members wished but pointed out that all bank reconciliations were reconciled unless there were genuine errors.

Councillor Sabiers referred to number 21 (Town Hall Redevelopment) in the table summary of planned audits and said that the redevelopment had not been significantly delayed, so asked why it had been “deferred to 2017/18 due to the status of the project”. Mr Pinder confirmed that officers were ensuring that the necessary work was complete at the right time to identify the key risks.

Councillor Murray referred to numbers 5 and 8 in the same table, and said that she was concerned that both had a “limited assurance” status. Mr Pinder stated that he would be in a better position to provide more information on the status of recommendations, as they became known, to a future Audit Committee meeting. In relation to Contract Management (number 8 in the table) Councillor Manro asked how Members could determine the seriousness of the issue. Mr Pinder said that the issue was around compliance and that

the process was set out in the report. He added that it was not unusual to have some non-compliance elements in relation to Contract Management.

Councillor Manro also referred to the National Fraud Initiative (NFI) 2016/17 table which provided details on the progress made on key reports used by the NFI team to initially assess the Council's progress. He asked for clarification around the "recommended matches" column of the table as the figures did not tally. Mr Pinder confirmed that some of the recommended matches were not seen as particularly high risk, so were not included in the table. He also explained that: for clarity, the paragraph reference to "recommended matches" column should have been total matches.

A "new case" referred to anyone who rang to report an incident of fraud; and that "number of cases" referred to the number of cases that the Council actually took on and that it should have been entitled "number of frauds proven". Councillor Manro asked why the number of cases seemed to be such a low figure and Mr Pinder responded that that was not unusual.

**Resolved** – That the Audit Committee:

- (i) notes the performance of the Internal Audit and Investigations team and key issues arising during the period 1<sup>st</sup> January – 31<sup>st</sup> March 2017;
- (ii) notes the Head of Internal Audit Annual Opinion; and
- (iii) agrees the Internal Audit Charter.

**8. Risk Management Performance Report – Quarter 4 2016/17**

Mike Pinder (Head of Audit and Investigations) introduced the report which provided an update in respect of the review of strategic risks facing the Council as at the end of Q4 2016/17.

Councillor Murray referred to Table 1 in the report (Strategic Risk Residual Ratings) and asked that, in future reports, a narrative is provided to explain exactly what has changed from one quarter to the next.

The Committee then went into private session to discuss the contents of confidential appendices A and C.

**Resolved** – That the Audit Committee considers the current Strategic Risk Register (Confidential Appendix A) to assure itself that it includes all appropriate strategic risks facing the Council and that all necessary and appropriate actions are being taken to safeguard the Council's business and reputation, and are documented.

**9. Draft Annual Governance Statement 2016/17**

Mike Pinder (Head of Audit and Investigations) introduced the report which set out the methodology for producing the Annual Governance Statement (AGS) for 2016/17 and highlighted governance issues.

Councillor Manro referred to Appendix to the report and pointed out that the Regulatory Committee no longer existed. Mr Ross Brown pointed out that the report looked backwards on the financial year 2016/17 and that Regulatory Committee existed during that period. Councillor Sabiers suggested that future reports contained a paragraph that explained that the committees referred to in the appendix may or may not have been reconstituted and, therefore, may not exist.

Councillor Sabiers also asked that future reports are page numbered, including appendices.

Mr Bryan referred to Appendix A to the report and asked what “Council Owned Companies” were. Mr Pinder confirmed that there were a number of organisations of which the Council received governance assurance on them. He confirmed that a group had been set up to work on this and that they administered checks on how each organisation provides for good governance. Mr Bryan then asked whether Members would receive a report on the structure of the group and its workings. Mr Pinder confirmed that the issue would be looked at from a risk perspective. He added that if assurance was required then it would be considered as part of the Council’s Internal Audit Plan. Mr Bryan pointed out that this was a significant issue and asked why it was not considered in the last financial year. Mr Ross Brown confirmed that it hadn’t been considered previously due to its size and said there were particular organisations that warranted closer scrutiny and more financial monitoring. Mr Bryan added that clarification was needed on the role of the Audit Committee in relation to this issue to ensure that there was no ambiguity. Mr Pinder stated that it was something that officers could look at, however said that it would be looked at from the Council’s risk perception. He confirmed that officers would continue to provide assurance from a Council perspective.

**Resolved** – That the Audit Committee notes the Draft Annual Governance Statement for 2016/17.

**10. Date of Next Meeting**

The next meeting is scheduled for 27<sup>th</sup> July 2017 at 7.00pm.

The meeting ended at 8:31pm.

Councillor Tim Murtagh, Chair

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