

Audit Committee

Tuesday 24th May 2016 at 7:00pm

Present: Councillors Murtagh (Chair), Khan, Seema Kumar, Murray, Sabiers and Conrad Bryan (Independent Member).

In Attendance: Steve Tinkler (Head of Audit & Investigation), Mick Bowden (Interim Director of Finance), Steve Lucas (KPMG), Joseph Anstee (Democratic Services Officer) and one observer.

1. Apologies for Absence

Apologies were received from Neil Thomas (KPMG) and Maria Campagna (Strategic Finance Partner - Corporate).

2. Urgent Matters

There were none.

3. Matters to be Considered in Private

Item 8 contained appendices with confidential information in them. 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

Members identified corrections and amendments to be made to the minutes of the previous meeting.

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Item 5 – The minutes of the previous meeting were dated to 20th March 2016. This should be corrected to 20th January 2016.

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Item 8 – Members noted that the Treasury Management Strategy referred to in response to a question from Councillor Murray was for 2016/17 and not 2015/16. The Committee noted that the Council's Treasury Management Strategy for 2016/17 was not on the agenda for this meeting. Officers confirmed following the 24th May 2016 meeting that it had been circulated to Members on Monday 16th May 2016.

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Item 10 – Councillor Murray asked whether the electrical and gas inspections referred to had been implemented, as they did not appear in the Internal Audit

report for this meeting. Steve Tinkler (Head of Audit & Investigation) said that a clarifying note on the matter could be circulated separately.

The Committee agreed that they had given a vote of thanks to outgoing Director of Finance Maria G. Christofi at the previous meeting but it had not been included in the minutes. The Committee asked that the minutes be amended to include this.

The Chair asked that a corrected version of the minutes be brought to the next meeting to be signed.

Resolved:

That, pending the above corrections, the minutes of the meeting held on 15th March 2016 be agreed as a true and correct record, and would be signed at the next meeting on 28th July 2016.

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

With reference to Item 12 (Counter Fraud Intelligence and Investigation Plan), Steve Tinkler addressed a query from Conrad Bryan regarding property developers sponsoring/funding council officers and representatives to attend an annual property conference in Cannes. Steve Tinkler assured Members that the risks of officers and Members attending conferences were examined and reviewed across a number of audits, including gifts and hospitality, standards and performance audits. There would always be a feed into the testing of relationships to ensure integrity, but these were examined under a broader spectrum. The event in question was a well-known event that had been covered in the media before. Attendance by local authorities was very common with around 100 other local authorities alongside Ealing sending representatives.

Steve Tinkler told the Committee that sponsorship was received to cover costs as an alternative to using the Council's own funds, and that all reviews of gifts and hospitality processes were detailed. Steve Tinkler was comfortable with all the Council's processes in this area and was assured there was no undue influence or inappropriate relationships as a result of such events.

7. Internal Audit Annual Report 2015/16

Steve Tinkler (Head of Audit & Investigation) introduced this report, describing the work of Internal Audit for the period 1st April 2015 to 31st March 2016. The report was presented annually and summarised the work of Internal Audit during the previous year. The report was positive in terms of results compared to the previous year.

There was a reduction in the number of audit opinions, as set out in paragraph 4.2. This was not for being softer or less thorough but for being more robust and pragmatic. Ealing's processes were thorough but were still improving. The performance of the authority was improving on implementation. Officers had worked hard on taking action on P1 recommendations which were now more visible and transparent. The number of P1 recommendations was

unlikely to be 0 in any given year, but the numbers being single-figured represented good progress. The issues identified by Healthwatch Ealing set out in paragraph 5.5.1 had been actioned, as per management requirements. Seven P1 recommendations relating to school audits had been identified. Six of these had been fully implemented and one had been partially implemented, and was due to be implemented by 31st May 2016. Steve Tinkler told Members that the report was a summary report, and that any further details that the Committee wished to receive could be circulated separately. The Chair commented that it was good that targets were being hit and that trends were positive.

Resolved:

That the Audit Committee:

- i) Reviews Internal Audit performance and key issues arising during the period 1st April 2015 – 31st March 2016; and
- ii) Endorses the use of the Head of Internal Audit Annual Opinion statement by the Council in support of its Annual Governance Statement included within the statement of accounts for the year ended 31st March 2016.

8. Risk Management Report – Quarter 2015/16

Steve Tinkler introduced this report, providing Audit Committee with a standard quarterly update in respect of the review of risks completed at the end of Q4 2015/16. Steve Tinkler drew the Committee's attention to paragraph 3.2.3 of the report, which showed the movement of risks since the last presentation of the report. The details of this were set out in paragraph 3.2.2. Officers continued to work with the directorates on identifying risks, and the current risks were set out in paragraph 3.3.2 of the report. Reviewing the quality of risks was an ongoing process.

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

Resolved:

That the Audit Committee:

- i) Agrees that the current Strategic Risk Register (Appendix A) assures 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.

9. Counter Fraud Intelligence & Investigation Update Report to March 2016

Steve Tinkler introduced this report, providing the Audit Committee with an update on the work of the investigation team for the period 1st April 2016 to 31st March 2016. In 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a new Fighting Fraud and Corruption Locally (FFCL) strategy for local authorities, who would benchmark their work against it. The FFCL checklist recommended by CIPFA with regards to Ealing was set out in appendix 1 to the report. Shared Services was generally conforming to

good practice but with one area of non-compliance, and it was intended to create a Shared Service Anti-Fraud strategy which would be in place by August. Steve Tinkler recommended that this be revisited in the next meeting after August 2016.

Although the savings to the authority were notional, the misuse of Blue Badges was a significant nuisance. Officers acted mostly on referrals but sometimes went out to challenge offenders. The system operated on a three strikes rule so offenders could not always be prosecuted, but it was a significant offence in court carrying a £1000 fine if prosecuted, also resulting in a criminal record. It was an important although not crucial element of counter-fraud activity. A joint Ealing-Hounslow operation the previous week had identified 13 offenders out of 130 cases inspected in around five hours. It was considered to be worthwhile. People would continue to offend in this way and there were numerous related offences.

The National Fraud Initiative (NFI) was a useful tool for identifying fraud. Housing Benefit fraud was now dealt with by the DWP Fraud and Error Service. The authority was also working with other data hubs which would see the NFI evolve going forward. Withdrawals during the Enhanced Vetting process were monitored for 6 months, before the relevant information became a data protection issue.

Resolved:

That, for the 12 month period 1st April – 31st March 2016, the Audit Committee:

- i) Notes the work undertaken by the Investigation Team
- ii) Reviews team performance
- iii) Reviews the Fighting Fraud & Corruption Locally 2016-19 checklist (appendix 1)

10. Draft Annual Governance Statement 2015/16

Steve Tinkler introduced this report, setting out the methodology for producing the Annual Governance Statement (AGS) for 2015/16 and highlighting governance issues. The draft AGS was attached as appendix 1 to the report. The Annual Governance Statement would be included in the Statement of Accounts. The draft AGS was similar to previous years, and although it might be different next year it met all the necessary requirements for this year. The AGS was produced in conjunction with the AGS working group. Paragraph 4.1 of the draft AGS identified the main governance issues faced by Ealing, of which there was only 1. All Directors, the Chief Executive and the Leader of the Council had been consulted on the AGS, and there had been a 100% rate of return on the consultation. Any issues that had arisen would be incorporated.

Resolved:

That the report be noted.

11. Date of Next Meeting

The next meeting is scheduled for 28th July 2016 at 7:00pm

The meeting ended at 7:45pm.

Councillor Tim Murtagh, Chair

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