

Audit Committee

Tuesday 20th January 2016 at 7.00 pm

Present: Councillors Murtagh (Chair), Sabiers, and Conrad Bryan (Independent member)

In Attendance: Maria G. Christofi (Director of Finance), Steve Lucas (KPMG), Steve Tinkler (Head of Audit & Investigation) and Bridget Uku, (Group Manager, Treasury & Investments) Maria Campagna (Strategic Finance Partner)

1. Apologies for Absence

Councillors A Stafford, Khan and Murray

2. Urgent Matters

There were none.

3. Matters to be Considered in Private

Items 8 and 10 contained appendices with confidential information in them, but were not taken in private as it was not necessary to discuss the confidential information provided.

4. Declarations of Interest

There were none.

5. Minutes

After amendment to correct the spelling of the Independent Member's surname

Resolved:

That the minutes of the meeting held on 8th September 2016 be agreed and signed as a true and correct record.

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

There were none.

7. Annual Audit Letter and Audit Progress Update

Steve Lucas introduced the report which confirmed KPMG's findings. KPMG had issued an unqualified conclusion on the Authority's arrangements to secure value for money for 2014/15 as well as an unqualified opinion on the Authority's financial statements including those of the Pension Fund. He confirmed the fee for the work undertaken and drew members' attention to the headlines.

In response to a question from Conrad Bryan, Maria G Christofi explained the review processes for accounts throughout the year which also included interim reviews by the auditors.

Resolved: That the Audit Committee notes

- (i) The external auditors Annual Audit letter in respect of the 2014/15 audit of the Statement of Accounts (Appendix 1)
- (ii) The Audit Progress

8. KPMG Certification of Grants Report

Steve Lucas introduced the report which set out the findings in the three grant claims audited.

KPMG have issued an unqualified certificate for the Pooling of Capital Receipts grant, and an unqualified qualification opinion in respect of the Teachers' Pension return.

Three errors were identified (the same as in 2013/14). Further testing identified an additional ten errors in a sample of 280 cases. Only a total of three errors affected the claim meaning the extrapolated error will result in the Council being able to claim an additional £200,000 (approximately). As a result of the testing this claim has been qualified.

Officers in the Housing Benefits Team will be carrying out a review to further strengthen controls and accuracy and have provided management responses to the issues raised from the audit – these are highlighted in Appendix 1 of the KPMG report.

Councillor Sabiers asked whether additional training had taken place. Maria G Christofi confirmed that it had. She added that this was a particularly difficult area and that the department was working hard to improve systems.

Resolved:

That the Audit Committee notes the Certification of claims returns 2014/15 (Appendix 1)

9. Internal Audit and Investigations Report Quarter Two 2015

Steve Tinkler (Head of Audit & Investigations) introduced the report, which set out the progress of the Council's Risk Management Framework and provides the Audit Committee with an update in respect of the review of risks completed at the end of Quarter Two, 2015/16.

With regard to the priority 1 recommendations which have not been implemented there are justifications as to why the recommendations have not been implemented. These are set out in paragraph 4.5.3

The shared service led by LB Ealing has enhanced the Internal Audit and Investigation services delivered to the three boroughs, by bringing together a wealth of experience, improving overall service resilience, whilst also providing the opportunity to share best practice and harmonise counter fraud processes.

The Enhanced Vetting continues to provide benefits as set out in the table at 5.4.3

With regard to the NFI there were discussions about how to utilise the team effectively.

Conrad Bryan asked how the shared service was impacting on the Head of Audit & Investigation's time. Maria G Christofi reported that officers were looking to ensure that there was resilience within the team to support the way he works, and also ensure that there are structures in place that will lend itself to growth in this area

Steve Tinkler added that officers were working on harmonisation within the team to ensure a unified process of working over the three teams

Members recorded a vote of thanks to officers for their efforts in ensuring the success of a shared service

Resolved :

that the Audit Committee notes the performance of the Internal Audit and Investigations team and key issues arising during the period 1 July – 30 September 2015.

10. Risk Management Update Report Quarter Two 2015/16

Steve Tinkler (Head of Audit & Investigations) introduced the report which provides an update in respect of the review of risks completed at the end of quarter 2

He drew members' attention to paragraph 3.2.2. One new risk (WFA0013, Increased temporary accommodation cost pressures) has been escalated to the SRR, the description of another risk (CRC0068, losses through fraud) has been changed and its residual risk assessment amended from medium to low, and two risks have been removed.

The table at paragraph 3.2.3 set out the risks

There is one risk which is assessed as being of high significance after taking into consideration their mitigating control measures. It concerns delays in agreeing the ICT strategy. This risk is has now been reviewed and escalated to the Strategic Risk Register.

In response to a question from Conrad Bryan about Adult Services Maria G Christofi explained that demand pressures were increasing and delivery of service within decreasing budgets was a common problem in all local authorities. Councillor Sabiers added that Scrutiny Committee was looking at this, in particular investigating where demand could be reduced

Resolved: That the Audit Committee

Notes the current Strategic Risk Register (Appendix A) and is assured that sufficient and appropriate actions are being taken to safeguard the Council's business and reputation.

11. Treasury Management Quarter 1 Update 2015/16

Bridget Uku, (Group Manager, Treasury & Investments) introduced the item, setting out the borrowing and investment decisions for the first quarter ending 30 June 2015. Over the reporting period, all treasury management activities have been carried out in accordance with the approved limits. The report also provides information on the prevailing economic conditions during the first quarter of the reporting year 2015/16.

She drew members' attention to the key messages in 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.
- There was no long-term borrowing raised during the period to 30 September 2015.
- Long-term debt reduced from £471.584 following a PWLB maturity of £12.734m in period to September 2015.

- The Council earned an average investment return of 0.555% on short term lending, outperforming the rolling average 7 Day LIBID rate of 0.387%.
- The Council currently holds no investments with overseas financial institutions.
- The HRA debt is managed separately from General Fund debt.

Ealing was still adhering to a policy of not borrowing but continued to monitor interest rates. Bridget Uku referred members to paragraph 4.1 a summary of key economic conditions prevailing during the first half of the financial year 2015/16

Resolved: that the committee

- 1.1 Notes the Treasury Management activities and performance against targets for the first quarter to 30 June 2015.
- 1.2 Notes the Council's investments balance of £219.236m as at 30 June 2015 of which £61.8m was invested in other Local Authorities (set out in Appendix 1).

9. Date of Next meeting

The next meeting is scheduled for 15th March 2016 at 7.00pm

Meeting closed at 8.00pm.

Chair: Councillor Tim Murtagh.....