

Minutes of the Meeting of the Audit Committee

Date: Wednesday, 04 March 2020

Time: 19:00

Venue: Committee Room 3, Perceval House, 14-16 Uxbridge Road, Ealing, W5 2HL

Attendees:

Mr Tommy Hyun, Councillor Timothy Murtagh, Councillor Mik Sabiers, Councillor Anthony Young

1 Apologies and Substitutions

Councillors Manro and Nagpal tendered their apologies.

2 Urgent Matters

The Committee noted the urgent supplementary agenda containing an appendix to item 7 – Accounts and Grants Audit Update 2018-19, which was not available at the time the original agenda was published and was important to assist understanding of agenda item 7.

4 Matters to be Considered in Private

Agenda Item 11, contained information that was exempt from disclosure by virtue of Paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972. This information was not considered in private, as it was not necessary to discuss the details of the exempt information provided.

3 Declarations of Interest

There were none.

5 Minutes

Resolved:

That the minutes of the meeting held on 27 November 2019 be agreed and signed by the Chair, as a true and correct record.

6 Treasury Management Q3 Update 2019-20

Bridget Uku (Manager, Treasury and Investments) introduced this report which updated the Audit Committee on the Council's borrowing and investment activities for the quarter ending 31 December 2019.

Over the reporting period, all treasury management activities had been carried out in accordance with the approved limits. The report also provided information on the prevailing economic conditions over the reporting period.

In response to questions from the Committee

Referring to 4.1 and 4.2 in the report, the Committee was informed that the apparent inconsistencies were due to the advisers having a different quarter 4 period to the Council. The Council used the end of the calendar year.

Resolved:

That the Audit Committee:

1. noted the Treasury Management activities and performance against targets for the period to 31 December 2019.
2. noted the Council's investment balance of £187.800m as at 31 December 2019 of which £165.000m was invested in other Local Authorities (Appendix 1 of the report).
3. noted the Council's Treasury Management Strategy 2020-21 which had been approved by Cabinet and scheduled to be approved by Full Council on 25 February 2020 (set out in Appendix 2 of the report).

7 Accounts and Grants Audit Update 2018-19

Members considered a report providing an update on the 2018-19 Statement of Accounts and Deloitte's external auditor report (ISA260); and providing an update on the 2018-19 grants and returns audit work undertaken by Deloitte.

In response to questions from the Committee

- Jonathan Gooding (Deloitte) referred to the supplementary agenda and informed the Committee that last year's accounts had been flagged as expecting to miss the deadline due to issues which had been raised over the course of the Audit. Since then, officers from the Council had worked hard to address the issues. There now remained a few small items to address but there had been considerable progress.
- The lists of issues and areas to address were identified in the summary in the report. Deloitte had noted a number of errors in the account last year and the previous year and had made recommendations to address these.
- Deloitte was satisfied that the valuation at the end of the year was not materially mis-stated.
- The additional costs were set out on pages 37 and 38 of the report.
- Jonathan Gooding expected that the Account for last year would be signed off in the next couple of weeks and anticipated that this year's deadline would be met.
- Jonathan Gooding assured the Committee that there was a good indication that the team, currently working for Ealing Council were on target for next year's Account deadlines.

- Simon Peet, Head of Technical Corporate Finance, assured the Committee that the team structure was now in place to complete the accounts.
- Referring to the additional bank accounts that had been discovered over the course of this audit, Jonathan Gooding assured the Committee that he was satisfied that this was not a material issue.
- In response to the Committee noting that there was £15m of debtors and yet Deloitte's view that the Council had good control of its debts, Jonathan Gooding explained that for the purposes of preparing the statement of accounts, they would expect the authority to indicate that there are good controls on debts. The management response was to be tested further.

Regarding the fees charged by Deloitte, members requested a more detailed breakdown of these and agreed for the Chief Finance Officer to approve the fees subject to the appropriate invoices.

Resolved:

The Audit Committee:

1. noted Deloitte's verbal update on the 2018/19 audit.
2. noted Deloitte's verbal update on the 2018/19 audit work on Grants and Returns.
3. agreed for the Chief Finance Officer to approve the fees charged by Deloitte, subject to the receipt of appropriate invoices.

8 Deloitte External Audit Plan 2019-20

Jonathan Gooding introduced this report on Deloitte's External Audit Plan 2019/20 setting out in detail how they would deliver the audit of the financial statements.

In response to questions from the Committee:

- Referring to p 90 of the report on the management override of controls, Jonathan Gooding explained that this was the standing risk on all audits. All journal entries and controls would be looked at, as was the case in every audit. It was an international requirement to treat this as a significant risk for every client.
- The closure timetable had been set and included provision for the authority to complete the Code checklist during the drafting of the statement of accounts.
- Officers were in negotiations on the Greener Ealing initiative.
- Regarding the fees and costs associated with the 2018/19 accounts, Jonathan Gooding estimated these to be in the region of £15k with over 40 recommendations. Deloitte had recommended implementation controls which then needed to be evidenced. Deloitte was required to report on this in the next year's work. Members questioned whether this was double counting in terms of fees, and whether this should be factored into this year's work. Members also questioned whether there had been an additional level of detail which was not required. Jonathan Gooding clarified that there had been a

number of significant weaknesses in controls. Deloitte had a rate card and had charged for the correct number of hours.

Ryan Gawley (Deloitte) confirmed that the audit mapping for March 2020 was on schedule.

Resolved:

The Audit Committee:

1. noted Deloitte's External Audit Plan for the 2019/20 closedown process.

9 Draft Internal Audit Plan 2020-21

Mike Pinder (Head of Audit and Investigations) introduced this report updating the Committee on the review by the Senior Leadership Team of strategic risks facing the Council as at the end of quarter 3, 2019-20.

In response to questions from the Committee:

- Audits had been prioritised according to the outcome of risk assessments, benchmarking and assessments identifying the highest risk to the Council.
- Safeguarding was not included in the 4-year strategic plan as this area was frequently inspected by Ofsted. In terms of IT security, if a risk was identified that was not adequately addressed, then it could be considered as part of the internal audit plan.
- Mike Pinder agreed to explore the possibility of introducing a summary assurance map.

Resolved:

The Audit Committee:

1. reviewed and approved the draft internal audit plan for the period 1 April 2020 to 31 March 2021.

Reason for Decision

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on the adequacy and effectiveness of the systems of internal control comprising of risk management, internal control and governance, by evaluating its effectiveness in achieving corporate objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The assurance gained from the programme of work set out in the 2020/21 Plan (Appendix A of the report), would form the main input for the development of the 2020/21 opinion of the Chief Audit Executive regarding the control environment within Ealing Council.

10 Head of Internal Audit 2019/20 Quarter 3 Internal Audit and Investigation Update Report

Mike Pinder, (Head of Audit and Investigations) introduced this report providing Audit Committee with an update on the work of Internal Audit and Investigations for Quarter 3, 1 October 2019 – 31 December 2019.

The Committee congratulated officers for being ahead of schedule and for the good outcomes on the fraud initiative.

In response to questions from the Committee:

- Mike Pinder informed the Committee that the level of resource was adequate and that resources would be targeted at the biggest fraud risks. This was in addition to preventative work.
- 276 blue badges had been cancelled as a result of targeted intervention in this area.

Resolved:

The Audit Committee

1. noted the performance of the Internal Audit & Investigation team and key issues arising during the period 1 October 2019 – 31 December 2019

11 Risk Management Performance Report Q3 2019-20

Ewan Taylor introduced this report updating the Committee on the review by the Strategic Leadership Team on the strategic risks facing the council at the end of quarter 3 2019/20.

The Borough risk register set out all potential issues and was a multi-agency document. Different agencies would take the lead, dependent on the situation. This was in addition to the internal risk registers. The team was proactive in terms of business continuity.

Members welcomed the review of the strategic risk register and requested the direction of travel to see how this could be mapped.

Resolved:

The Audit Committee

1. noted the current Strategic Risk Register (Appendix A)
2. noted the update regarding a full review of the Council's risks as set out in the report that would be brought to the next Audit Committee.

12 Date of Next Meeting

The next meeting would be held on 21 May 2020.

The meeting ended at 8:21 pm.