

## Audit Committee

Tuesday 15<sup>th</sup> March 2016 at 7.00 pm

**Present:** Councillors Sabiers (Chair), A Stafford, Murray and Conrad Bryan (Independent member)

**In Attendance:** Steve Lucas, Neil Thomas, (KPMG), Steve Tinkler (Head of Audit & Investigation) and Bridget Uku, (Group Manager, Treasury & Investments) Maria Campagna (Strategic Finance Partner), Mick Bowden, (Interim Director of Corporate Finance & Audit)

**1. Apologies for Absence**

Councillors Murtagh and Khan.

**2. Urgent Matters**

In the absence of Councillor Murtagh, Councillor Sabiers took the chair

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

Items 8 and 11 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 the following corrections

page 2 item 8 - 4<sup>th</sup> line should read unqualified *certificate*

page 2 item 8 - 11<sup>th</sup> line should read housing benefit *claim*

**Resolved:**

That the minutes of the meeting held on 20<sup>th</sup> March 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. External Audit Plan 2015/16**

Steve Lucas introduced the KPMG's external audit plan and referred members to the headlines on page 1 which set out the main elements of the plan.

He referred members to the headlines on page 1 including the Value for Money arrangements and the new guidance which applied.

He additionally advised members that there was a 25% reduction in the audit fees for both this year and next year.

Members were informed that KPMG were independent and their attention was drawn to the statement in appendix 3.

Conrad Bryan asked why land valuation was deemed high risk. Steve Lucas stated that most councils held significant amounts of land and that valuations were a judgement issue.

In response to a question from the Chair about the high risk attached to the Pension Fund it was explained that it was because of the values and estimates involved in determining the liabilities.

**Resolved:**

That the Audit Committee notes the strategy set out in the KPMG audit plan for the 2015/16 closedown process.

**8. Treasury Management Quarter 3 Update 2015/16**

Bridget Uku, (Group Manager, Treasury & Investments) introduced the item, setting out the borrowing and investment decisions for the six months ending 31 December 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 31 December 2015.
- The existing long-term debt reduced from £471.284m; there were no PWLB maturities within the reporting quarter ending 31 December 2015.
- The Council earned an average investment return of 0.554% on short term lending, outperforming the rolling average 7 Day LIBID rate of 0.375%.
- The Council currently holds no investments with overseas financial institutions.
- The HRA debt is managed separately from General Fund debt.

In response to a question from Councillor Murray, Bridget Uku advised members that The Council's Treasury Management Strategy for 2015/16 was approved in February at Council and would be brought to the next Audit Committee.

No long term borrowing was required in the second quarter

**Resolved:** that the committee

- 1.1 Notes the Treasury Management activities and performance against targets for the nine months to 31 December 2015.
- 1.2 Notes the Council's investment balance of £226.429m as at 31 December 2015 of which £86.802m was invested in other Local Authorities (set out in Appendix 1).
- 1.3 Notes the Council's current lending list (set out in confidential Appendix 2).

**9. Indicative Annual Internal Audit Plan 2016/17**

Steve Tinkler (Head of Audit & Investigations) introduced the report which detailed the proposed operational Internal Audit plan for 2016/17. The plan had been pulled together following wide consultation and cross cutting reviews ensuring a broad range of assurances. The plan had also been reviewed by Audit Board and Corporate Board.

In response to a question from Councillor Murray about significant risks in some of Ealing's housing stock it was explained that it was the management processes and control systems that were looked at rather than specific instances of risk. Additionally training needs would be assessed.

The Chair asked why the alternate weekly refuse collections were not on the register. Steve Tinkler confirmed that it had not been flagged up as a risk.

**Resolved:**

That the Audit Committee:

Approves the proposed Internal Audit Plan for the period 1 April 2016 to 31 March 2017.

**10. Internal Audit and Investigations Report Quarter Three 2015**

Steve Tinkler (Head of Audit & Investigations) introduced the report, which detailed an update on the work of Internal Audit & Investigation for the period 1 October – 31 December 2015. He reported further on the progress made with regard to the follow up of recommendations (para. 4.5). Good progress had been made but a vigilant approach would be maintained. There were one or two issues with schools but positive outcomes expected.

Electrical and Gas Inspections - this recommendation was originally raised as part of a 2014/15 audit, with an agreed implementation date of September 2015. Officers were able to confirm that a resolution to the issue was being actively worked on and a revised implementation date of December 2015 was agreed. This issue has now been escalated to the relevant Director as officers were subsequently unable to verify that appropriate action had been implemented.

In response to a query from Councillor Lyn Murray Steve Tinkler explained that sometimes the enhanced vetting checks took longer than a contract actually lasted. If people returned after a temporary contract, then previous information held would be used.

Steve Tinkler reported that it was hoped that on the basis of work being undertaken within the shared service that skills and resources could be maximised to broaden and increase the scope of the current workload.

**Resolved :**

that the Audit Committee notes the performance of the Internal Audit and Investigations team and key issues arising during the period 1 October – 31 December 2015.

**11. Risk Management Update Report Quarter Three 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 referred members to the movement of risks in para 3.2.2. A significant amount of work was being done to minimise duplication.

**Resolved:**

That the Audit Committee notes the current Strategic Risk Register (Appendix A) and is assured 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.

**12. Counter Fraud Intelligence and Investigation Plan**

Steve Tinkler (Head of Audit & Investigations) introduced the report which set out the proposed planned work of the Fraud Team for the year 1 April 2016 to 31 March 2017.

He informed members that officers were maintaining a zero tolerance approach towards fraud employing a broad range of counter fraud activities. The work of the shared service would improve outcomes. In addition to sanctions, including fines, the team would seek to maximise recovery of council assets.

In response to a question from Councillor A Stafford about large scale operations Steve Tinkler cited the Blue Badge Scheme which was supported by Police Enforcement Officers.

In response to a question from Conrad Bryan about fraud in schools it was reported that a counter fraud conference with particular regard to schools had addressed this issue and the team across the shared service were promoting enhanced vetting.

With regard to procurement fraud Steve Tinkler stated that there were higher levels of fraud in this area and that he could provide more detail if members wished.

**Resolved:**

That the Audit Committee approves the planned programme of work for 2016/17 (Appendix A)

**9. Date of Next meeting**

The next meeting is scheduled for 24<sup>th</sup> May 2016 at 7.00pm

Meeting closed at 8.00pm.

In the Chair for this meeting: Councillor Mik Sabiers

Minutes 15<sup>th</sup> March 2016

Chair: Councillor Tim Murtagh.....