

## **Minutes of the meeting of the Audit Committee**

**Date:** Thursday, 27 July 2017

**Time:** 19:00

**Venue:** Committee Room 2, Town Hall, New Broadway, W5 2BY

**Attendees:**

Mr Conrad Bryant, Councillor Lynne Murray, Councillor Mik Sabiers, Councillor Anthony Young

**Apologies for Absence:**

Councillor Shital Manro, Councillor Timothy Murtagh

**Absent:**

Also in attendance at the above meeting were:

Ross Brown - Director of Finance, Maria Campagna - Strategic Finance Partner, Mike Pinder - Head of Audit and Investigations, Steve Lucas - PWC, and someone and Keith Fraser, Democratic Services

**2 Urgent Matters**

Councillor Murray took the chair.  
She drew members attention to appendices 1,2,3 of item 11 as they were finalised after the publication of the report.

**3 Matters to be Considered in Private**

The Chair drew members'attention to appendix 3 of item 6, appendix 2 of item 7 and appendices A and C of item 9.

**4 Declarations of Interest**

There were none

**5 Minutes Meeting 24th May 2017**

The minutes of the meeting on 24th May were agreed

## Treasury Management Outturn 2016-17

As items 6 and 7 on the agenda were related members had one discussion on the reports.

Councillor Sabiers raised the issue of how secure our investments with other local authorities were given the perilous financial situation that many found themselves in.

Ross Brown explained that Local Authorities could not technically go bankrupt as ultimately their finances were underpinned by Central Government.

On the same point Conrad Bryan pointed out that the issue with these investments was not necessarily security but liquidity in that it might take a while for funds to be returned.

Maria Campagna outlined how we were using more money market funds which helps maintain the liquidity of our investments while providing a similar yield. These funds were also all triple A rated.

Members:

1. Noted the Treasury Management activities and performance against targets for the 12 months to 31 March 2017.
2. Noted the council's governance and reporting arrangements which is in line with CIPFA's best practice recommendations, as set out in paragraph 7.
3. Noted the council's investments in other Local Authorities as at 31 March 2017 (set out in Appendix 1).
4. Noted the Prudential indicators outturn for 2016/17 (set out in Appendix 2).
5. Noted the council's current lending list (set out in confidential Appendix 3).
6. Noted that the council continues to operate a dual Treasury Management strategy for managing the General Fund (GF) and the Housing Revenue Account (HRA) debt.

7. Noted the position on Pension Fund investments, since Pension Fund cash is being invested separately from the council.

## **7 Treasury Management Quarter 1 Update 2017-18**

Members:

1. Noted the Treasury Management activities and performance against targets for the period to 30 June 2017.
2. Noted the Council's investment balance of £127.570m as at 30 June 2017 of which £55.000m was invested in other Local Authorities (set out in Appendix 1).
3. Noted the Council's current lending list (set out in confidential Appendix 2).

## **8 Internal Audit and investigation Performance Report- Quarter 1 2017/18**

Mike Pinder introduced the report

He pointed out that the matters raised relating to Temporary Accommodation would be resolved by September.

Councillor Young asked about the new data protection regulations, he was informed that the level of fines was becoming substantially higher for breaches of the strengthened regulations.

In regards to the National Fraud Initiative (NFI) Conrad Bryan raised the issues of duplicate creditors pointing out that one would generally expect a rate of around 1 to 2 percent in industry. Mike Pinder explained that the council had a number of procedures and checks to minimise this issue. Queried as to the number of cases currently dealt with Mike explained that in examining the cases raised by the NFI those of highest value were given priority.

Members

Noted the performance of the Internal Audit & Investigation team and key issues arising during the period 1st April – 30th June 2017.

**9 Risk Management Performance Report Quarter 1 2017/18**

Mike Pinder introduced the report.

On questioning he explained that potential risks arising post Grenfell had not been investigated in time for this report.

Conrad Bryan queried the apparent discrepancy between the financial risks outlined for Children's and Adults services in the register with the figures in the accounts,

? explained that the register reflected mitigations and so would have a different figure.

Audit Committee considered the current Strategic Risk Register (Appendix A) to assure itself that it included all appropriate strategic risks facing the Council and that all necessary and appropriate actions were being taken to safeguard the Council's business and reputation.

**10 Public Sector Audit Arrangements Update**

Maria Campagna introduced the report which provided an update to the Public Sector Audit Appointments progress following Council agreement to opt in to the sector led body (on the recommendation of the Audit Committee) in December 2016.

She explained that 98% of eligible bodies had opted in to the scheme which would give us new auditors for the 2018/2019 financial year.

This scheme would ensure an independent and robust audit process at a reduced fee.

The Committee:

Noted the update regarding the appointment of external auditors from 1 April 2018, including the updated timetable for consultation.

Delegated powers to the Executive Director of Corporate Resources, following consultation with the chair and opposition spokesperson of the Audit Committee, to respond to the consultation regarding acceptance of the PSAA's post 1 April 2018 external auditor appointment on behalf of the council.

**11 Statement of Accounts - 2016-17**

Maria Campagna introduced the statement of accounts. She reported that this was a second year of attempting to meet the new statutory Account Closing before it became a statutory obligation for the next Financial year.

While the draft accounts had not quite met the 31<sup>st</sup> May deadline she was pleased that we would meet the 31<sup>st</sup> July deadline for signing off the audited accounts. She also observed that the auditors were intending to give an unqualified opinion to the accounts.

Councillor Young asked about the initial delay and whether lessons had been learnt. It was explained that the delay was related to finalising valuation reports and having identified the errors causing issues with the

valuation this would help meet the statutory target next year. Steve Lucas reported that, subject to final review by partner and closedown procedures, unqualified opinions were proposed on the accounts, the HRA, the Pension Fund, and the Value for money conclusion. If any issues arose from the final closedown procedures that needed reporting, he would contact the Chair of the Audit Committee. However as a member of the public had raised an objection to the accounts concerning certain historic loans KPMG would be unable to issue the Audit Certificate until the objection was resolved.

Conrad Bryan queried whether these loans were derivatives that were not valued in the accounts which could be potentially problematic.

Maria Campagna reassured him that we were using the correct methodology for accounting for these products and the auditors were satisfied with our valuations.

Steve Lucas talked through the Audit report to those charged with governance and reminded members that in the current financial situation meeting financial pressures with one off savings such as using reserves would enable the books to be balanced for the year but there was an urgent necessity to ensure that recurring savings were built into the budget and delivered.

Conrad Bryan queried why there was a large increase in the liabilities of the Pension Fund.

Maria Campagna explained that while there had been a positive movement in the pension fund assets changes in the discount rates used in the actuarial assumptions had had an adverse effect on the liabilities.

Councillor Sabiers queried whether the benefits liabilities were robust. Steve Lucas said that these had been tested to their satisfaction.

Councillor Murray asked a general query regarding the reduction of the main balance sheet assets and this was explained that it was largely due to the Pension Fund Issue.

With no further questions it was **resolved**

Audit Committee considered matters raised in the attached report by KPMG that provided an unqualified opinion for the Statement of Accounts (including Pension Fund Accounts) for 2016/17 and:

1. Considered the report to those charged with governance (ISA 260) for the London Borough of Ealing issued by the Council's external auditors, KPMG and any findings and management responses by Officers (Appendix 1).
2. Approved the audited Statement of Accounts for 2016/17 for the London Borough of Ealing and London Borough of Ealing Pension Fund (Appendix 2) and authorised the signing thereof by the Chair of the Audit Committee at its meeting.

3. Approved the Annual Governance Statement for 2016/17 (contained within the main Statement of Accounts pack at the rear of Appendix 2).
  
4. Approved the letters of representation (Appendix 3) and for them to be signed by the Chair of the Committee and the Executive Director of Corporate Resources.

In the absence of the Chair the committee noted that Councillor Murtagh would sign the accounts and letter of representation the following day (28th July 2017)  
The meeting ended at 20.38.