

AUDIT COMMITTEE

Thursday 23 January 2014 at 7.00pm

PRESENT: Councillors Murtagh (Chair), Sabiers, Cowing, Potts, and Conrad Bryan (Independent Member).

Following introductions

1. Apologies for Absence

There were none. Members noted that Councillor Langan had stood down as a councillor and accordingly resigned from all committees that she was a member of.

2. Urgent Matters

Training

Members received training from Charlotte Kennedy and Harriet Aldridge on the roles and responsibilities of Audit Committee. It was agreed that members receive the presentation via email after the meeting.

3. Matters to be Considered in Private

Items 8 and 11 contained confidential appendices but were not taken in private as it was not necessary to discuss the detail of the confidential information provided.

4. Declarations of Interest

There were none.

5. Minutes of the Last Meeting

Resolved:

Following amendment to correct the spelling of Conrad Bryan's name (page 5), that the minutes of the meeting held on 19 September 2013 be agreed and signed as a true and correct record.

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

There were no matters arising.

7. External Audit Reports and annual Letter

Tony Crawley, KPMG, introduced the report which sets out in detail the progress report and grants report and the Annual Audit Letter in respect of the 2012/13 audit of the Statement of Accounts. He drew members' attention to the headlines on page 2 of the Annual Audit Letter which summarised the outcomes of the Audit in a user friendly format.

VFM conclusion

An unqualified VFM (value for money) conclusion has been issued. This meant that LB Ealing was deemed to have proper arrangements in place for securing financial resilience and challenging how economy, efficiency and effectiveness are secured.

VFM risk area

The key risk area was identified as LB Ealing's plans to deliver its ongoing savings plan and it was found that the Medium Term Financial Plan had considered the potential

funding reductions and that the plan was sufficiently robust to assist in delivering services whilst maintaining financial stability. Budget monitoring arrangements were also found to be robust.

Audit Opinion

An unqualified opinion has been issued meaning that KPMG believe that the financial statements give a true view of the Authority's finances including the pension Fund.

Financial Statements

No material adjustments had been required

Annual Governance Statement

This was deemed consistent with KPMG's understanding

Certificate

KPMG were still moving forward with the legal process following the objection currently being considered thus were not able to issue the final certificate.

Councillor Potts asked how long before this would be resolved and what would be the likely cost. Tony Crawley stated that it would depend on the legal process; costs would not exceed £10,000

Audit Fee 2012/13

These were detailed in appendix 2

Appendix 1 set out a timeline of the Audit Plan and appendix 2 set out details of the fees – there had been an overall reduction in fees of 39%

Councillor Sabiers said he was glad to note that there were no recommendations for he Council to act on.

Certification of Grants and Returns

Steve Lucas referred members to the summary of work outcomes on page 3

With regard to the Housing and Council Tax Benefit errors were identified in the sample tested. The council had responded quickly to queries throughout the audit process which had allowed deadlines to be met.

Page 6 showed the breakdown of fees 2012/13 set by the Audit Commission and page 7 showed then recommendations agreed.

Conrad Bryan asked for clarification of the issue with regard to the teachers' pensions. Steve Lucas stated that it was 2 teachers ' who had been paying the wrong amounts both of which were relatively low values In total there were not any glaring errors. In response to a further question it was confirmed that this was a one off error which could not have been going on for a long time as teachers were only paying tiered amounts from recently.

A detailed plan would be presented to the Audit Committee in March 2014.

Resolved:

- The external auditors Annual Audit letter in respect of the 2012/13 audit of the Statement of Accounts (Appendix 1)
- The audit grant claims report including the recommendations to achieve further accuracy in grant claims submitted to government (Appendix 2); and
- The 2013/14 audit progress report (Appendix 3)

8. Treasury Management Midyear Update 2013-14

Nigel Watson Assistant Director of Corporate Finance, introduced the report which provided an update on the Council's borrowing and investment activities, for the half year ending 30 September 2013.

Members were referred to the table on page 6 setting out bank rates and the table on page 7 (para 5.8) detailing investments totalling £257,390 as at 30.09.13. £70M was held with local authorities which was felt to be a secure place for investment.

In response to a question from Councillor Potts on the Icelandic investment currently held in an escrow account, and the value of interest with the current exchange rate Nigel Watson undertook to advise members on the figures.

Councillor Potts asked why in the recommended lending list RBS had a higher limit than Lloyds when its ratings were worse. Nigel Watson stated that there were monthly meetings of the Treasury Investment Board when ratings were reviewed and it was felt that RBS was secure. In response to a further question about the Mortlake loan it was not known when this would be cleared.

Referring to paragraph 9.3 members were asked to note that the external debt of £494.64M did not include PFI obligations as was usual practice.

In response to a query from Councillor Sabiers it was reported that the local authority checks were regular but this could be reported in future.

Resolved that the Audit Committee:

- i.) Note the Treasury Management activities and performance against target for the second quarter to 30 September 2013.
- ii.) Note the Council's current governance and reporting arrangements in line with CIPFA's best practice recommendations, as set out in paragraph 7.
- iii.) Note the Council's current lending list (set out in confidential Appendix 2).
- iv.) Note that the Council continues to operate a dual Treasury Management strategy for managing the General Fund (GF) and the Housing Revenue Account (HRA) debt.
- v.) Note the position on Pension Fund investments, since Pension Fund cash is being invested separately from the Council.
- vi.) Note the update on the Council's deposit retained in an Icelandic escrow account.

9. **Internal Audit Performance Annual Report 2013/14**

Members considered the report which sets out the work of Internal Audit for the 9 month period 1 April 2013 to 31 December 2013. The net plan had increase by 5 days in order to address emerging risks

Councillor Potts commented on the timing of audits for schools given the holidays. John Allsop stated that audit did take account of holidays and give advice and support to schools. There would be dedicated officers helping schools in future. He added that this was the third year of a rolling programme and only 3 schools had limited assurance issues for vfm /procurement. This was an improvement over previous years.

In response to a query from Conrad Bryan about the Cash Office checks it was confirmed that places such as Leisure Centres and Libraries ask Audit to do spot checks. These are done as part of a rolling programme.

Resolved: that the Audit Committee:

Note Internal Audit's performance and key issues arising during the period 1April - 31 December 2013.

10. **Counter fraud, intelligence and investigation report to March 2013**

Harriett Aldridge (Interim Head of Audit and Investigation) introduced the report which Set out the work of the Counter fraud, intelligence and investigation team

Members were referred to paragraph 3.11 Single Fraud Investigation Service (SFIS) the formation of a single fraud investigation service, a partnership between DWP, HMRC and Local Authorities, covering the totality of welfare benefit fraud was confirmed in the Autumn Statement on Thursday 5 December 2013 by the Chancellor of the Exchequer.

SFIS will be launched within the DWP as a single organisation and a phased implementation will commence in from October 2014 – March 2016.

The table in appendix A set out the performance against targets for 2013/14 and appendix B detailed a summary of key reports.

Councillor Potts commented that the police were no longer mentioned in the report. Harriet Aldridge explained that the named person was due to retire and talks were being planned with Scotland Yard about options.

Councillor Potts also queried whether there was any reason why the enhanced vetting withdrawals were higher proportionately in Environment & Customer Services. John Allsop said there was no trend particularly.

Resolved: That the Audit Committee

- (i) Notes the work undertaken by the Counter Fraud, Intelligence & Investigation team for the period 1st April to 31 December 2013
- (ii) Notes team performance (Appendix A) during the same period

11. Risk Management Performance Report Quarter 1 2013/14

John Allsop, Senior Auditor, introduced the item taking members through some of the headlines relating to the following paragraphs.

3.2 JCAD Developments

Migration of the Council's contracts onto JCAD continues with complete and up-to-date contract registers were now in place for Corporate Resources and E&CS. Work was progressing within Children and Adults with all Adults Service contracts migrated. Work on uploading Regeneration & Housing contracts would follow in due course.

Once all Council contracts were migrated onto the software, phase 2 would involve uploading the documentation supporting each contract onto the software. This would result in a 'one stop shop' provision of detailed management information for the Council's contracts.

3.3 Staff Training

Gallagher Basset, the Council's Insurers, offered to provide training on the Essentials of Enterprise Risk Management (ERM). ERM is an advanced risk methodology which can add significant value by promoting holistic and coordinated risk management activities across the organisation.

The training course, which was very well subscribed, took place on 5th & 6th November 2013 and feedback from delegates was very good. All delegates successfully completed the course and received their certificates. The next ERM course has been scheduled for March 2014.

3.4 Corporate Risk Management Forum

CRMF met on the 19 December 2013 and considered reports in relation to:

- Progress of the Council's Risk Management Framework.
- Insurance Update
- BCP Update
- Contract Register Update
- The current status of the Council's Strategic Risk Register

3.5 Institute of Risk Management Awards

The Council has been shortlisted by IRM's Global Risk Management Awards in the category of 'Innovation through Technology'. The Awards Ceremony will take place in central London on 27 February 2014.

With 7 categories and some 30 shortlisted candidates based around the World, the Council was the only public sector body to reach the Finalist stage

3.6 Out of Date Risk Analysis

As the table indicates there are no risks across the Council which are out of date. Appendix A provides a detailed analysis of performance.

3.7 Strategic Risk Register (SRR)

The table below summarises the movement in the SRR since it was last reported to Audit Committee. Appendix B sets out the SRR in detail.

In response to a query from Councillor Cowan it was confirmed that the risk transition in appendix warned officers that a risk was coming

Resolved: That the Audit Committee note

- i.) Progress of the Council's Risk Management Framework.
- ii.) The Strategic Risk Register (Appendix B) and notes that sufficient and appropriate actions are being undertaken to safeguard the Council's business and reputation.

12. Date of the Next Meeting

Members noted that the next meeting was scheduled for 20th March 2014

COUNCILLOR Tim Murtagh, Chairman

The meeting ended at 8.15pm