

# MINUTES OF THE AUDIT PANEL

Thursday, 18 June 2015 at 7.00 pm

PRESENT: Councillors Mark Ingleby, Jim Mallory, Jonathan Slater, Eva Stamirowski and Dale

Apologies for absence were received from Councillor Helen Klier, Councillor Bill Brown and Richard King

## 7. Election of Chair and Vice Chair

The Vice Chair took the Chair and welcomed Councillor Stamirowski to her first Audit Panel meeting.

The Chair informed members that the Overview and Scrutiny Business Panel had requested Audit Panel to investigate the reasons behind Sedgehill School Deficit, to find out from officers why it happened, if lessons have been learnt to ensure this does not reoccur.

The Head of Corporate Resources said the Children and Young People Head of Resources could be invited to the Audit Panel meeting in December to explain what had happened, and the actions in hand.

The Head of Corporate Resources said he would send Audit Panel members copies of the Financial Investigation report if appropriate, subject to ongoing work at the school prior to the December meeting. This was agreed.

### **Action > Head of Corporate Resources.**

#### RESOLVED

- i. that Councillor Klier be appointed Chair of the Audit Panel for this Municipal Year.
- ii. that Councillor Slater be appointed Vice Chair of the Audit Panel for this Municipal Year.
- iii. that the Children and Young People Head of Resources be invited to the Audit Panel meeting in December, and Panel members to be sent reports on the investigation of Sedgehill School Deficit prior to the December meeting.

## 8. Minutes

The Head of Financial Services said because of the difficulties with resources in the past staff were unable to do the reconciliations on a timely basis. As this was an important aspect of the process additional resources had been put in place and officers were now up to date with reconciliations. The Head of Financial Services said an update would be brought to every Audit Panel meeting in future.

### **>>> Head of Financial Services**

RESOLVED that the Minutes of the meeting of the Panel held on 19 March 2015, which was open to the press and public, be confirmed and signed as a true record of the proceedings, subject to it be noted that at their last meeting Audit Panel had agreed to receive an update on reconciliations on accounts at every Audit Panel meeting.

**9. Declarations of Interest**

None received.

**10. Audit Plan 2014-15**

The report was introduced by Darren Wells, Director, Grant Thornton. He informed the Panel that it was still in draft and subject to additions and changes. He told Panel members Grant Thornton had outlined the significant risks of material misstatement which have been identified.

Darren Wells stated they had concerns about reconciliations of accounts but the issue had now been addressed. Concerns were also raised about the incomplete internal audit on core financial systems of the Council. Officers said the work took longer to complete because of the transition and following the end of the internal audit contract. It was noted that the general ledger system had now been upgraded and work was now being finalised on the general audit ledger.

Paul Dale asked if the Ledger upgrade had been done without Internal Audit Assurance, and was told this was the case. Paul Dale said this was unusual. Jamie Bewick said they had raised this issue within the report. The Head of Corporate Resources said this had been covered by Grant Thornton, there was ongoing debate about audit coverage to minimise duplication and there was an ongoing discussion in the partnership for the finance system as to how the systems internal audit, could be done once and for all, rather than by each Borough, and this should be resolved soon.

Councillor Mallory said it would be sensible to address this issue before any future changes in the Council, bearing in mind the budget strategy was stipulating a rise in partnership work with other boroughs. Councillor Mallory asked who was responsible to ensure this work was done, and was told the Joint Management Board of the 6 boroughs, which meets every week.

Paul Dale asked whether there was a lead officer in the partnership for the shared service provision, and was told that currently the lead officer was the executive Director of Resources in Brent, and the lead officer was a rotational responsibility.

The Chair asked for an update at the September meeting of the Panel, and was told it would be included in the Annual Assurance Report.

**Action > Head of Corporate Resources**

RESOLVED that the report be noted.

## **11. Pension Fund Audit Plan 2014-15**

Darren Wells introduced the report. Councillor Ingleby asked for an explanation of a level 3 investment, and was they were investments which the valuation was dependent on the vehicle e.g. hedge funds. It was noted that they were more risky because it was difficult to get an accurate valuation.

RESOLVED that the report be noted.

## **12. Pre Audit Statement of Accounts 2014/15**

The Head of Financial Services introduced the report.

Paul Dale asked for confirmation that the accounts were not final, this was confirmed. He said he had noted some inconsistencies in the figures, officers said these have been corrected. The Head of Financial Services said the valuation of Assets had been problematic over the past 2 years as the Council had received late and inconsistent valuations from the previous Contractor. The Council now have a new Contractor and the valuation had been delivered in a more timely manner, and officers were happy with the outcome. It was also noted that the Asset Register was now up to date.

Councillor Ingleby said Members were keen to see the Asset Register completed and functional, and asked when this would be done. The Group Finance Manager- Core Accounting said it was almost finished, and virtually 100% accurate.

Paul Dale commented that according to the figures on pages 57 and 62 it seemed as if the general fund reserve had gone up instead of down, and asked why. The Head of Financial Services explained that £3.9m was held back throughout the year as part of the base budget for risks and pressures which officers could not quantify earlier in the process but knew would emerge in time. He added that the General Fund Balance position was separate, and the Executive Director for Resources and Regeneration took the decision to increase this to 2.5% of the total Net Budget Requirement and Dedicated Schools Grant.

Paul Dale asked what the Council's overall overspend was in the financial year, and was told £5.2m. He said this should have brought the balance from £12m to £6.8m, and asked how the balance got to £13m. The Head of Financial Services explained that officers looked at the reserves position taking into account various things that had been earmarked, find out where money was needed and make a decision accordingly. Paul Dale said this was a prudent approach. The Head of Financial Services said these figures were being reviewed constantly throughout the year.

Paul Dale said he noted the Pensions Reserve showed a substantial shortfall, and asked whether this fund was separate. The Group Finance Manager- Core Accounting said the Pensions Reserve was part of the overall General Fund. He added that for the last 5/6 years officers had been required to show the full impact of the Pensions Fund deficit, although it had been partly dealt with by the increase in employer and employee contributions.

RESOLVED that the report be noted.

### **13. Annual Assurance Report**

The Head of Corporate Resources introduced the report, and apologise for it being late, this was to enable the fullest position on the core financial audits to be presented.

Councillor Stamirowski said as she was new to the Panel, it would be useful if someone could explain what the Assurance Report entails, and its importance. The Internal Audit Contract Manager said she would send a briefing to Councillor Stamirowski.

#### **Action > Internal Audit Contract Manager**

Councillor Ingleby asked whether there had been further information on the Commissioning and Procurement Board. and was told the new European Regulations that came into being in February this year was to ensure transparency in public sector procurement. It was noted that the Board would focus on embedding a three gateway process of challenge and monitoring. Councillor Ingleby said the Public Accounts Select Committee would be interested to know more about this.

Darren Wells stated that the Panel had agreed to have a biannual internal audit of risk management, this was due next year. He asked whether Panel Members would like to review this decision. The Head of Corporate Resources said officers were constantly checking to ensure that risk management was working well. He added that this was considered part of the audit plan, and a report could be done for the Panel before the decision was made about going back to annual reporting process.

The Chair asked Panel members what they required, it was agreed this arrangement would be reviewed in future.

RESOLVED that:

- i. the report be noted.
- ii. Panel members would review the frequency of the risk management report in future.

### **14. Internal Audit Update Report**

The Head of Corporate Resources Introduced the report.

Councillor Ingleby asked whether paragraph 9.5 was referring to Croydon as opposed to Greenwich this confirmed. Councillor Mallory said he was very pleased to see the Executive Summary, as it was easier to understand. He commented

that the Internal Audit Charter was useful, and served as a very good starting point. Councillor Mallory thanked officers for the report.

RESOLVED that:

- i. the report be noted.
- ii. the 2015/16 audit plan at appendix 5 of the report be approved.
- iii. the amended internal audit charter for 2015/16 at appendix 6 of the report be agreed.

#### **15. Anti Fraud and Corruption Team (AFACT) Update**

The Head of Corporate Resources introduced the report.

Councillor Mallory said he was concerned that the Council might not be able to judge whether DWP were effective in tracking down benefits fraud. He said members would be interested to find out the impact of the transfer. The Head of Corporate Resources said someone from DWP could be invited to give a presentation to the Panel, and he would find out if this could be arranged.

#### **Action > Head of Corporate Resources**

Councillor Mallory said he was concerned that the 2 Independent Panel Members vacancies on the Audit Panel had not been filled and urged officers to try and get new members for the Panel. The Head of Corporate Resources and Head of Financial Services said they were actively trying to fill the vacancies.

#### **Action > Head of Corporate Resources, and Head of Financial Services**

Meeting ended 8.43 pm