Minutes of the Meeting of the Audit Committee
24 March 2016

Cllr Roger Ramsey was in the Chair

Members Present:

Cllr Roger Ramsey (LB Havering)
Cllr Stephen Alambritis (LB Merton)

In Attendance:

Philip Johnstone, Director, KPMG
Stephen Lucas, Senior Manager, KPMG
Anna Simmonds, Internal Auditor, City of London

London Councils' officers were in attendance.

1. Declarations of Interest

There were no declarations of interest.

2. Apologies for Absence

An apology for absence was received from Councillor Simon Wales (LB Sutton).

3. Minutes of the Audit Committee meeting held on 24 September 2015

It was agreed that there would no longer be an "Any Other Business" item on future Audit Committee agendas.

The minutes of the Audit Committee meeting held on 24 September 2015 were agreed as being an accurate record.

4. Internal Audit Plan 2016/17

The Audit Committee received a report of the draft internal audit plan for 2016/17, as proposed by the City of London's Internal Audit section under terms of the service level agreement for financial and payroll services. The report also provided details of the proposed rolling five-year programme covering the period up to 2020/21.

David Sanni, Head of Financial Accounting, London Councils, introduced the report and asked members to approve the 2016/17 internal audit programme, and the rolling five-year programme. There were six reviews proposed for 2016/17, as outlined in the report. Frank Smith, Director of Corporate Resources, London Councils, confirmed that regular reviews continued to be carried out on the Grants Programme. Future reviews will look at funded organisations to ensure that they were delivering the required outcomes (this was an area under continuous review). Frank Smith said that, under the current monitoring arrangement, payments would be stopped if any irregularities or omissions were found when checking outcomes/accounts. Councillor Alambritis said that he was pleased with the robust checks that were carried out on the organisations that received grants from London Councils.

The Audit Committee approved the internal audit programme for 2016/17 and the rolling five-year programme, as proposed by the City of London's Internal Audit Service and detailed in Appendix A of the report.

5. External Audit Plan 2015/16

The Audit Committee considered a report that presented the draft external audit plan for 2015/16 prepared by London Councils' new external auditor, KPMG. The draft audit plan informed the Audit Committee of the scope of the external audit of London Councils' accounts for 2015/16.

Philip Johnstone, Director, KPMG, introduced the audit plan. He said the audit team would be led by Stephen Lucas, the Senior Manager from KPMG. He ran through the contents of the plan highlighting the outcome of their assessment of the reporting risks and the materiality levels that had been set for the audit ("Materiality" - page 19 of the report). He said that any changes to the materiality levels during the course of the audit would be reported to the Audit Committee. He said that London Councils was a well-run organisation and a smooth audit was envisaged. The Chair said that he looked forward to future external audit reports from KPMG in due course.

The Audit Committee approved the draft audit plan for 2015/16, as detailed in Appendix A of the report.

6. Internal Audit Reviews

The Audit Committee received a report that provided members with an update of the internal audit reviews completed by the City of London's Internal Auditor section since the last meeting held on 24 September 2015.

David Sanni introduced the report and said that the City of London's internal audit report for the Key Financial Controls could be found at page 28. He said the review concluded that there was a sound control environment in place but also highlighted that the inventory listing should be updated to comply with the financial regulations.

David Sanni informed members that three of the 18 recommendations from the ICT strategy were still outstanding. The delay in implementation was due to complications with the technical solutions applied by the IT contractor. The Chair asked what the timescale was to implement the outstanding IT recommendations. Roy Stanley confirmed that this would take place in the next two to three months. Frank Smith said that the length of time it was taking to resolve these specific IT issues was frustrating as the system, in general, was reasonably secure. He confirmed that the revised Business Continuity Plan would be presented to the Audit Committee on 22nd June 2016.

The Audit Committee:

- Considered and commented on the contents of the internal audit report attached at Appendix A;
- Noted the position on outstanding internal audit recommendations detailed in the log attached at Appendix B; and
- Noted that there were no significant control weaknesses identified in the review completed during the period.

7. Risk Management – Policy and Public Affairs Risk Register

The Audit Committee received a report that presented the current Policy and Public Affairs (P&PA) directorate risk register.

Doug Flight, Head of Strategic Policy Group, London Councils, introduced the P&PA report to members. He said that the main risks centred around lobbying, media and communications. Doug Flight said that the only financial risk was P&PA number 11 (potential legal/editorial costs). He confirmed that there were no significant changes from the previous P&PA risk register. Frank Smith said that London Councils had standard libel insurance cover. David Sanni confirmed that the same insurance excess level applied to members and officers.

The Audit Committee noted the current Policy and Public Affairs directorate risk register.

8. Treasury Management Update

The Audit Committee received a report that provided members with an update on London Councils' treasury management strategy. London Councils' cash balances are held by the City of London under the service level agreement for the provision of financial support services. The investment of London Councils' cash balances is covered by the City of London's treasury management strategy, as they are aggregated with the City of London's funds for investment purposes. It was agreed by the Audit Committee in September 2009 that the Committee would receive annual reports on the City of London's treasury management activities.

The Audit Committee noted the City of London's Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17, which could be found at Appendix A of the report.

The meeting finished at 10.55am