

Minutes of the Meeting of the Audit Committee

18 June 2015

Cllr Roger Ramsey was in the Chair

Members Present:

Cllr Roger Ramsey (LB Havering)
Cllr Stephen Alambritis (LB Merton)
Cllr Jas Athwal (LB Redbridge)
Cllr Simon Wales (LB Sutton)
Mr Roger Chadwick (City of London)

In Attendance:

Ciaran McLaughlin, Engagement Leader, PricewaterhouseCoopers LLP
Chris Harris, Acting Internal Auditor, City of London

London Councils' officers were in attendance.

1. Declarations of Interest

Councillor Simon Wales informed Audit Committee that he was also a member of the London Councils' Grants Committee.

2. Apologies for Absence

An apology for absence was received from John O'Brien, Chief Executive, London Councils

3. Minutes of the Audit Committee meeting held on 19 March 2015

The minutes of the Audit Committee meeting held on 19 March 2015 were agreed as being an accurate record.

4. Risk Management: Services Directorate Risk Register

The Audit Committee received a report that presented members with the current Services Directorate risk register.

Nick Lester-Davis, Corporate Director of Services, London Councils, introduced the Services Directorate Risk Register. He informed members that there were two updates to the risk register that were not on the version that was sent to Audit Committee. They were as follows: (i) risk number "B2" – this risk had now been deleted, as the reissue programme had finished (all old Freedom Passes had now been turned off and the reissue was coming in under budget), and (ii) a new set of risks under section D had been added on the European Social Fund (ESF) programme. London Councils was bidding for a new 6-year ESF programme. There was no reason, at present, why London Councils' bid would not be successful. However, the new risk had been introduced to deal with any potential problems. There would be a future new risk to deal with the end of the current Section 48 grants scheme (March 2017). A decision on this would need to be made by London Councils' Leaders Committee.

The Chair asked if a decision was being made on the entire grants scheme. Nick Lester-Davis said that members would be consulted on an “in principle” direction of the grants programme over the summer, with a decision at the end of the year.

Councillor Alambritis congratulated officers on the Freedom Pass reissue (risk “B2”). He also congratulated the London borough of Sutton on the success of its Freedom Pass reissue. Nick Lester-Davis informed members that London Councils were appointing a consultant to look into the way LB Camden and Sutton conducted their Freedom Pass renewal process in more detail.

The Chair said that Transport for London (TfL) had now taken over parts of the mainline routes and there would be changes in Freedom Pass usage before 9.30am, which would have financial implications to the boroughs. Nick Lester-Davis informed members that there would be cost implications, which would be greater in 2018 when Crossrail opened. The mainline would then stretch as far out as Reading.

The Audit Committee noted the current Services Directorate risk register, and the two recent updates that were not present on the risk register currently presented to members.

5. Review of the Annual Governance Statement

The Audit Committee considered a report that: (i) reviewed each element of the current Annual Governance Statement (AGS), (ii) highlighted an continuing and potentially new areas for development (and those from previous years that had been addressed), and (iii) made recommendations for revisions that would be contained in the AGS to be included in the audited Statutory Accounts for 2014/15.

David Sanni, Head of Financial Accounting, London Councils, introduced the report on the review of the Annual Governance Statement (AGS). He said that London Councils was responsible for carrying out a review of the AGS, which had been developed by CIPFA and SOLACE. The AGS was divided into six sections and the report reflected a review of the governance arrangements that were in place.

David Sanni informed members that Appendix A (page 28) highlighted the changes to the AGS (in red), Appendix B (page 35) gave a summary of the internal audit review (no areas of concern) and Appendix C (page 39) gave a draft of the AGS for the 2014/15 accounts. Chris Harris, Acting Internal Auditor, City of London, confirmed that London Councils had a sound system on internal controls in place. He said that the City of London’s system was fit for purpose.

The Audit Committee:

- Noted the summary of the internal audit reviews undertaken during 2014/15 and the opinion of the Head of Audit and Risk Management at the City of London on the overall control environment, as detailed in Appendix B of the report, and
- Approved the recommended changes to the AGS for 2013/14, as detailed in Appendix A, to produce the AGS for 2014/15 for inclusion in London Councils’ statutory accounts for 2014/15, as detailed in Appendix C 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 Audit section since the last meeting held on 19 March 2015.

David Sanni introduced the internal audit reviews report. The Parking and Traffic internal audit review had been completed and could be found at page 48 of the report. There were no

recommendations to report as a consequence of this review and the risks had been easily managed. The internal audit recommendations log could be found at page 55 of the report. The log provided an update on petty cash and outstanding recommendations. Most of the outstanding recommendations had been completed and the ones that were still outstanding were close to completion. The Chair said that there a number of outstanding ICT recommendations and asked for an update on this to go to a future Audit Committee.

Councillor Wales asked if there was any further information on local authorities being asked to have a public services network. Roy Stanley, ICT and Facilities Manager, London Councils, confirmed that no further discussions on this had taken place. He said that London Councils did have an external IP address that was secure. Frank Smith said that there would be cost implications to having a PSA network (between £30,000 to £70,000), and it would also take time. More clarification from the Government was needed on this. Councillor Wales asked if any guidance had been issued from the Government. Frank Smith said that London Councils would have to wait to see what the Government proposals were. The Chair said that there was nothing mandatory yet. Ciaran McLaughlin, Engagement Leader, PricewaterhouseCoopers LLP, said that a number of boroughs had carried this out securely at a cost of £75,000.

The Audit Committee:

- Considered and commented on the contents of the internal audit reports attached at Appendices A of the report,
- Noted the position on outstanding internal audit recommendation detailed in the log attached at Appendix B,
- Noted that there were no significant control weaknesses identified in the review completed during the period, and
- Agreed that an update on outstanding ICT issues would be brought to a future Audit Committee meeting

7. Accounting and Audit Arrangement Update

The Audit Committee received a report that provided members with an update on the arrangements to procure an external auditor for 2015/16 onwards, following a review of draft guidance prepared by the Chartered Institute of Public Finance and Accountancy on behalf of the Department of Communities and Local Government (DCLG).

David Sanni introduced the accounting and audit arrangement report, which had been carried over from the Audit Committee meeting in March 2015. He said that the Department for Communities and Local Government (DCLG) would be issuing further guidance on public audit arrangements. London Councils had already received an early draft of the guidance. A “special” meeting of the Audit Committee was taking place on 1 December 2015 to agree the procurement of an external auditor. The outcome would then be presented to London Councils’ Leaders Committee on 8 December 2015.

The Audit Committee noted the contents of the report.

The meeting finished at 10.56am

Action Points

Item	Action	Progress
6. Internal Audit Reviews	An update on outstanding ICT recommendations to be brought to a future Audit Committee meeting	Completed