

## Note of last Audit Committee meeting

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<b>Title:</b>	Audit Committee
<b>Date:</b>	Wednesday 14 June 2017
<b>Venue:</b>	Room D, Ground Floor, Layden House, 76-86 Turnmill Street, London, EC1M 5LG

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### Attendance

An attendance list is attached as **Appendix A** to this note.

Item	Decisions and actions
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#### 1 Declarations of Interest

The Chairman welcomed the committee members and auditors to the meeting.

It was noted that Councillor David Neighbour and Councillor Ian Swithenbank were directors of the LGA Property Company.

#### 2 Audit Committee work programme

Donna Gallagher introduced the work plan item, as similar to previous year's work programmes.

##### Decision

The Audit Committee **agreed** its programme of work for 2017/18.

#### 3 Internal Audit Programme

Ashley Norman introduced this item, including the three areas of the internal audit programme item (**Appendices 1, 2 and 3**).

a) Appendix 1: TIAA Block 2 report and recommendations

Ashley Norman introduced the report, outlining the three areas included in this block - company structure, debt collection and procurement arrangements. Key recommendations included budget holders taking greater responsibility for debt collection, which had been accepted by senior management, and the upfront payments for events, which had not been accepted.

He outlined five recommendations around procurement including: the circumvention of procurement rules, noncompliance with the 'no PO, no pay' finance policy, the absence of key performance indicator's and the maintenance of the contracts register around extensions and supportive documentation. All

procurement recommendations had been accepted by senior management and timescales for action agreed.

TIAA's follow up review had found evidence that 11 out of 12 recommendations had been implemented with the final recommendation in progress.

#### **Discussion**

Members queried why senior managers had not accepted the auditor's recommendation on upfront payments for events. Officers explained that this was because a number of organisations – for example some district councils and housing associations - do not currently have the facility to make payments in advance. However, upfront payments are taken where possible and the intention is to move towards this being compulsory in the future.

Members also discussed the reoccurring issue of processes on issuing of POs and payment of invoices not being adhered to. Members emphasised the need for a culture shift in this area. Sarah Pickup outlined work currently being undertaken to encourage budget-holders to take ownership of these issues.

Members were generally satisfied with the results of the inspection, particularly in terms of progress demonstrated by the follow-up review, and welcomed the next follow-up review.

#### **Decision**

The Audit Committee **approved** TIAA's block 2 report and recommendations.

#### **Action**

Officers to implement changes in line with TIAA's recommendations, except in the case of the rejected recommendation around compulsory upfront payments for events.

#### b) Appendix 2: TIAA 2016/17 annual report

Ashley Norman (TIAA) introduced report, highlighting the satisfactory audit report around risk management and governance processes.

#### **Decision**

The Audit Committee **approved** TIAA's annual report.

#### c) Appendix 3: TIAA draft Internal Audit plan for 2017/18

Ashley Norman introduced the internal audit draft plan for 2017/18 and confirmed that it had been agreed by the Senior Management Team (SMT) subject to confirmation of some elements of block 2. Block 1 had been amended from the 2016/17 plan to include some additional items including cyber security and credit control at the request of SMT. He requested further suggestions from members.

#### **Discussion**

Members considered the possibility of grant funded projects being reviewed on a

rolling basis in future, as they require oversight, but are too numerous to be reviewed every year.

Members also discussed current LGA cyber-security arrangements through Brent. Officers reported that during the recent NHS cyber attack the Public Services Accreditation apparently protected most local authorities and the LGA from being affected. However, this area clearly required more focus in other councils and internally so that the LGA may act as a leader in this area, hence its inclusion in next year's audit program.

#### **Decision**

The Audit Committee **approved** TIAA's draft Internal Audit plan for 2017/18 subject to the inclusion of a rolling review of grant funded projects.

#### **Actions**

Officers to continue working on the area of cyber security to ensure LGA ICT systems resilience and provide support to councils in LGA membership.

## **4 LGA and Associated Companies Audited accounts for the year 2016/17**

Jonathan Gratte introduced this item. He explained that the report covered the four company entities (Appendix A-D) and the external audit report (Appendix E).

Alastair Duke (Engagement Partner, PKF Littlejohn LLP) presented the external audit report, noting that the majority of the audit was complete with minor documents outstanding. A risk-based process had been used to carry out the audit. He reported that the auditors were satisfied with the testing they had carried out and had made recommendations around four areas: controls round manual journals and independently maintained journal logs, member declarations accuracy, salary update letters and quantity of credit notes. He reported that SMT had agreed all these recommendations, except those on salary update letters which were deemed an unnecessary administrative burden due to employees' easy access to their own salary information.

#### **Discussion**

Members discussed the pension deficit and plans to move the Camden pension to Merseyside alongside the existing Merseyside pension fund and the need for the LGA to stand behind the IDeA pension deficit. Members also raised concerns about the clarity of information for General Assembly on pension deficit plans and requested that an FAQ be written.

#### **Decisions**

The Audit Committee **received** the financial statements of the LGA's associated companies to be presented to the LGA Leadership Board, IDeA, LGA (Properties) Ltd and LGMB.

#### **Actions**

Officers to work on the recommendations given by the auditor, excluding the salary information recommendation which will be reviewed by the auditors in the next audit.

Sarah Pickup to work on a simple FAQ for General Assembly around the pension deficit.

## **5 Performance Reporting - 2016/17**

Donna Gallagher introduced the six-month performance report for 2016/17. She explained that of the 50 key performance indicators (KPI) set by the Department of Communities and Local Government (DCLG) 48 had been achieved, with two around supporting councils on fraud with the Chartered Institute of Public Finance and Finance and recruitment of graduates still outstanding. She highlighted the reduction in sickness leave during the period, although further analysis of this was underway. The Strategic Risk Register continues to go to SMT every quarter and two of these risks have reduced over the last six months.

### **Discussion**

The members discussed changes in LGA membership in the last six months, including Gosport withdrawing from the LGA and councils on notice to withdraw. The Committee was assured by officers that work to continue all councils of the benefits of LGA membership was continuing, including with those on notice. Feedback suggested that generally councils were convinced of the benefits of remaining in the LGA, although the LGA was not complacent.

### **Decisions**

The members of the Audit Committee **approved** the six-month performance report.

### **Actions**

Members and officers to continue to take action to demonstrate the value of LGA membership.

## **6 Annual Fraud Report 2016/17**

Jonathan Gratte introduced the report which set out controls and the process environment under which fraud issues are identified and dealt with. In the report there was no evidence of fraud or corruption.

### **Discussion**

The Committee discussed the high turnover of staff in the LGA and the importance of new employees being aware of the importance of fraud related policies, such as the whistleblowing policy. Jonathan Gratte as a recent new starter outlined the robust nature of the induction to the LGA, including online training prior to beginning his role.

### **Decision**

Members of the Audit Committee **noted** the contents of the report.

## **7 2017 Annual Report of the Audit Committee**

Donna Gallagher introduced the draft report due to go to LGA Leadership Board and Executive on 15 June and onto General Assembly on 5 July 2017.

## Decision

The Audit Committee **agreed** the annual report to be presented to the LGA Leadership Board, Executive and the General Assembly.

## 8 Note of last meeting 28 November 2016

Audit Committee members **approved** the minutes of the previous Audit Committee meeting on 28 November 2016.

The Audit Committee members also offered their thanks to both the internal and external auditors for their work in this matter.

## Appendix A -Attendance

Position/Role	Councillor	Authority
Chairman	Cllr Jonathan Owen	East Riding of Yorkshire Council
Vice-Chairman	Cllr Ian Swithenbank CBE	Northumberland Council
Deputy-chairman	Cllr Philip Evans JP	Conwy County Borough Council
Member	Cllr David Neighbour	Hart District Council
In Attendance	Ashley Norman Alistair Duke Nicky Whitehead	TIAA PFK Littlejohn LLP PFK Littlejohn LLP
LGA Officers	Sarah Pickup Jonathan Gratte Donna Gallagher Jess Norman	Deputy Chief Executive, LGA Strategic Finance Director, LGA Performance Officer, LGA Member Services Officer, LGA