

MINUTES

Meeting: Audit Panel

Date: Tuesday 17 December 2013

Time: 3.30 pm

Place: Committee Room 4, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at: <http://www.london.gov.uk/who-runs-london/the-london-assembly/committees/audit-panel>

Present:

John Biggs AM (Chairman)
Roger Evans AM (Deputy Chairman)
Gareth Bacon AM

1 Apologies for Absence and Chairman's Announcements (Item 1)

1.1 An apology for absence was received on behalf of Len Duvall AM.

2 Declarations of Interests (Item 2)

2.1 The Panel received the report of the Executive Director of Secretariat.

2.2 Resolved:

That the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, be noted as disclosable pecuniary interests.

3 Minutes (Item 3)

3.1 Resolved:

That the minutes of the meeting of the Audit Panel held on 22 October 2013 be signed by the Chairman as a correct record.

4 Internal Audit Reports (Item 4)

4.1 The Audit Panel received the report of the Executive Director of Resources. Appended to the report were: six internal audit reports (of which four had received substantial assurances, and two had received adequate assurances); one follow up report (which had received an adequate assurance); and the internal audit progress report.

Internal Audit Reports

4.2 The Panel considered the following recent internal audit reports (attached at Appendices 1a to 1f of the report):

- The Mayor's Economic Development Strategy and Implementation Framework;
- Review of Desktop Management;
- Review of Internet-Based Network Security;
- Review of Decision Making Framework – Mayoral and Directorate;
- Performance Management Framework; and
- General Ledger Control Framework.

The Mayor's Economic Development Strategy and Implementation Framework

4.3 The Director of Audit, Risk and Assurance (MOPAC) noted that the report had received an adequate assurance. There was a clearly defined strategy which identified various interdependencies, although it was recognised that this was a vast area of business with a complex governance structure. She highlighted two key recommendations outlined in the report: taking forward the overarching implementation plan; and streamlining the governance structures.

4.4 The Assistant Director of Economic and Business Policy noted that the Economic Development Strategy (EDS) Implementation Plan had been developed in spring 2011. Since then, the London Enterprise Panel (LEP) had been established. As a result, the detail of the framework did still have to be developed in line with the governance framework, and the recommendations in the report were helpful in achieving this. He agreed that the governance

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system did need streamlining as the current arrangements could result in duplication.

- 4.5 Asked by the Chairman if the Strategy was a sufficient guide for the Mayor, the Director of Audit, Risk and Assurance (MOPAC) said that the focus of the review was about whether the Strategy was clearly defined, and the nature of the Implementation Plan. The Assistant Director of Economic and Business Policy noted that the LEP was an advisory body, and that any agreed decisions still had to go through the Greater London Authority's (GLA) formal decision-making process.
- 4.6 The Chairman felt that the current process and numbers of strategies was a bit confusing. The Assistant Director of Economic and Business Policy agreed that potentially could be the case. However, now the LEP had been established it would be possible to simplify the governance arrangements which they would now undertake to do. He said that anchoring the LEP to a Strategy helped to focus the LEP to make decisions that supported the overall Strategy, rather than it acting as purely a grant-giving body. The Head of Governance and Resilience noted that efforts had been made to streamline the process. He explained that substantive policy discussions were undertaken by the LEP, whereas the Investment and Performance Board (IPB) focus was on the particular resource decisions for the GLA. This still required a mayoral decision, as the Mayor had not delegated decision-making authority to the LEP.
- 4.7 The Chairman noted that the abolition of the Regional Development Agencies had left a vacuum which had led to the creation of the LEPs which were, in some respects, still being developed.
- 4.8 The Deputy Chairman expressed concern that there were no defined performance measures in place, as identified in the report at recommendation 8.2. He wondered why it would take until October 2014 to remedy this. The Assistant Director of Economic and Business Policy hoped that it would be completed before then. He noted there were a raft of documents to be submitted to the Department for Business, Innovation and Skills, and the October 2014 date reflected an intention to tie this work together. He confirmed that they did report against the Key Performance Indicator (KPI) targets in the GLA's corporate plan.
- 4.9 Asked by the Chairman about the relevance of the GLA Act on the EDS, the Head of Governance and Resilience confirmed that technically the Act was silent on the content of the Strategy.
- 4.10 The Director of Audit, Risk and Assurance (MOPAC) agreed that if possible recommendation 8.2 should be implemented sooner than the proposed target date. She felt that once the overarching implementation framework was in place it would help to work through the various measures.
- 4.11 The Assistant Director of Economic and Business Policy stressed they were not undertaking a

formal review of the EDS as this was a lengthy process and would require the new Strategy to be revised by the Secretary of State. Instead, they were reviewing the EDS in light of the 2020 Vision and the introduction of the LEP.

Review of Desktop Management and Review of Internet-Based Network Security

- 4.12 The Director of Audit, Risk and Assurance (MOPAC) noted that substantial assurances had been given for both of these reports.
- 4.13 The Head of Technology said that these audits represented a major review of technology infrastructure, both of which had been carried out at a time of significant change. Given the amount of change, he felt it was a real achievement of the people running the services.

Review of Decision Making Framework – Mayoral and Directorate

- 4.14 The Director of Audit, Risk and Assurance (MOPAC) said that the report had received a substantial assurance. There were a couple of minor recommendations, but decision making was a well-embedded process that was consistently reviewed, complied with and was transparent.
- 4.15 The Chairman noted that there were still a high number of Part II decisions. The Director of Audit, Risk and Assurance (MOPAC) observed that written justification had been given for all Part II decisions. The Head of Governance and Resilience confirmed this was often for legal and/or commercial reasons.

Performance Management Framework

- 4.16 The Director of Audit, Risk and Assurance (MOPAC) said there was a well-defined process around performance management. The key framework had recently been introduced and the recommendations from the auditors were focused on embedding the new approach and ensuring the good practise in the guide was put in place.
- 4.17 The Head of Governance and Resilience said it was a fair report, and all four recommendations had been accepted. He felt it was fair that issues about the KPIs and the need to certify data had been raised as there was scope for data to be misinterpreted. He agreed that where there were red-rated projects it should be clear what action had been taken to rectify any inadequacies.
- 4.18 Asked about the process of self-certification by the Deputy Chairman, the Head of Governance and Resilience explained that the new process would see owners of data certifying that data was, to the best of their knowledge, accurate. He said it was better practice to have a validation process in place.

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- 4.19 The Deputy Chairman observed that self-certification did not mean data had been subject to an objective test. In agreement, the Head of Governance and Resilience stressed that the new obligation to sign off data would encourage people to make additional checks and take greater care. He felt this would help limit the number of mistakes which could be spotted in advance.
- 4.20 In response to a question about what best practice looks like, the Director of Audit, Risk and Assurance (MOPAC) explained there were steps in the guidance which signatories were expected to follow. She pointed out that the process of self-certification should still be subject to independent checks by internal auditors or by central management. The Head of Governance and Resilience agreed that the GLA's Intelligence Unit should play a role in verifying data, and noted that this would be picked up again in an internal audit report to be reported to the Audit Panel's March 2014 meeting.
- 4.21 The Chairman felt that the current KPIs could be more sharply honed. He suggested officers compare City Hall's KPIs with those used by other public sector bodies.

General Ledger Control Framework

- 4.22 The Director of Audit, Risk and Assurance (MOPAC) said the report had received a substantial assurance with one recommendation on ensuring the authorisation of journal entries were in line with the budget holder's responsibilities. The Head of Financial Services confirmed this recommendation had been accepted and budget holders had been reminded of this good process.

Internal Audit Follow up Reports

- 4.23 The Audit Panel considered the Treasury Management follow up report (attached at Appendix 2).

Treasury Management – Follow Up

- 4.24 The Director of Audit, Risk and Assurance (MOPAC) noted that this review followed recent changes which saw the GLA agree shared service arrangements with the Mayor's Office for Policing and Crime (MOPAC). She noted that they would soon undertake a review of this arrangement from MOPAC's perspective, and if any issues arose from that review they would be reported back to the Audit Panel. One recommendation had been made about updating relevant process notes where they applied to the shared service arrangement. This would be reviewed in future reports.
- 4.25 Asked by the Chairman if the GLA was fit for the new processes it had agreed to undertake under the shared service agreement, the Director of Audit, Risk and Assurance (MOPAC) stressed that the recommendation was simply to ensure greater clarity in the process notes

for treasury management functions.

- 4.26 Gareth Bacon AM noted that recommendation 7.4 on Treasury Management Practices was six months behind its target completion date. He asked why it was not being treated as a priority. The Director of Audit, Risk and Assurance (MOPAC) agreed it did need to be treated as a priority, and that it must be clear who was responsible for which tasks under the new shared services agreement. The Head of Financial Services stated that it was being treated as a priority and that the document had not been allowed to become out of date. He agreed to provide the Panel with a note as to why the original target date had slipped, and agreed that an officer would attend the next Audit Panel meeting to report to the Panel directly. He assured the Panel that the necessary practices were in place, but the procedures had yet to be updated in relevant supporting documents.
- 4.27 The Chairman noted that the treasury management functions for policing was a smaller piece of work than other responsibilities the GLA had inherited, therefore it should be feasible for the GLA to make the necessary changes. The Head of Governance and Resilience said it was carried out through the GIS approach which was relatively well documented in the shared service arrangements. He confirmed that a note would be sent to the Mayor making clear that this issue would be considered again at the March Audit Panel meeting.

Internal Audit – Progress Report

- 4.28 The Audit Panel considered the Internal Audit – Progress Report.
- 4.29 **Resolved:**

That the following be noted:

- (a) Reports at Appendices 1a to 1f;**
- (b) Follow up Review at Appendix 2; and**
- (c) Progress report at Appendix 3.**

5 London's European Programmes (Item 5)

- 5.1 The Panel received the report of the Executive Director of Resources.
- 5.2 The European Programmes Director explained that the European Programmes had been subject to a high number of audits, but no adverse findings had been found. He confirmed that the GLA acts as an intermediate body and not a management body. Although there had been suggestions that the GLA would become a management body, the Government had decided to continue with a single national model with programmes devolved to the LEPs.

5.3 **Resolved:**

That the audit environment for European Programmes and the work that is currently underway be noted.

6 Monitoring of Expenses and Taxable Benefits - Mayor, Elected Members and Senior Staff - 2013/14 (Item 6)

6.1 The Panel received the report of the Executive Director of Resources.

6.2 **Resolved:**

That the taxable benefits and expenses incurred by the Mayor, London Assembly Members and senior staff for the period 1 September 2013 to 31 October 2013 be noted.

7 Work Programme for the Audit Panel (Item 7)

7.1 The Panel received the report of the Executive Director of Secretariat.

7.2 **Resolved:**

That the work programme for the remainder of the 2013/14 Assembly Year be approved.

8 Date of Next Meeting (Item 8)

8.1 The next meeting of the Panel was scheduled for 20 March 2014 at 2.00pm in Committee Room 4.

9 Any Other Business the Chair Considers Urgent (Item 9)

9.1 There was no other business the Chairman considered urgent.

10 Close of Meeting

10.1 The meeting ended at 4.25pm.

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Chairman

Date

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