

MINUTES

Meeting: Audit Panel

Date: Tuesday 22 October 2013

Time: 3.30 pm

Place: Committee Room 3, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at: www.london.gov.uk/mayor-assembly/london-assembly/audit-panel

Present:

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

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

- 1.1 An apology for absence was received on behalf of Len Duvall AM.
- 1.2 The Chairman noted that a number of the reports to the agenda had been received late and requested that all future reports be received on time.

2 Declarations of Interests (Item 2)

2.1 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 16 July 2013 be signed by the Chairman as a correct record.

4 Independent Auditor's Report, Certificate and Audit Results for 2012/13 (Item 4)

- 4.1 The Audit Panel received the report of the Executive Director of Resources, to which was appended the Independent Auditor's Report 2012/13, the Auditor's Certificate 2012/13, the Auditor's Audit Results 2012/13, the Statement of Accounts 2012/13 and the Annual Governance Statement 2012/13.
- 4.2 The External Auditor noted that the report provided an unqualified audit opinion. Three areas were identified to the Panel as being of significance. First, various of the functional bodies' accounts had been deconsolidated from the accounts as presented for 2011/12. The External Auditor went on to explain that this related to the way that the GLA assessed the financial benefits of land and assets under the GLA's control.
- 4.3 The External Auditor confirmed that they had consulted widely on this revised approach. Transport for London (TfL), the Mayor's Office for Policing and Crime (MOPAC), the London Fire and Emergency Planning Authority (LFEPA) and the London Development Agency (LDA) had, as a result, been taken out of the prior year's accounts and had been deconsolidated; the London Legacy Development Corporation (LLDC) and GLA Land and Property Limited (GLAP) had been consolidated within the GLA's accounts.
- 4.4 The Head of Governance and Resilience confirmed that the Audit Commission, Ernst & Young, the Department for Communities and Local Government (DCLG), and the Chartered Institute of Public Finance and Accounting (CIPFA) had indicated their agreement to this revised approach.
- 4.5 The External Auditor went on to explain that the way the LDA and Homes and Communities Agency's (HCA) assets had been transferred to the GLA and GLAP meant they had been merger accounted, not acquisition accounted.
- 4.6 Two significant items relating to the LLDC had been highlighted in the report: (a) its assets had been originally valued by the Olympics Delivery Authority under one treatment but had then, following transfer, been valued by the LLDC under a different treatment. This had led to an impairment, which amounted to a loss of £1.28 billion on the original value in accounting terms.

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- 4.7 The Deputy Chairman asked about the difference between current value and future use value. The External Auditor explained this related to the purpose of the assets to the entity in question. For the LLDC, this was about raising future income in the park, whereas for the Olympic Delivery Agency assets had been assessed on delivering the Olympic and Paralympic Games.
- 4.8 Finally, the External Auditor noted that the compulsory purchase order provision had been adjusted by about £2 million to reflect current costs and not future costs, which originally included management costs.
- 4.9 Asked about the accounting system dealt with for long-term land compensation income streams, the External Auditor explained that one would estimate the future liability one would have to pay; it would not include the future management costs.
- 4.10 The Chairman noted evidence heard by the Budget and Performance Committee at a recent meeting which had made clear that City Hall has to underwrite the London Legacy Development Corporations' liabilities. The External Auditor stated that the confirmation given by the GLA in this regard would be taken into account in future audit opinions of the LLDC's accounts.

4.11 **Resolved:**

That the Independent Auditor's Report, Certificate and Audit Results for 2012/13 be noted.

5 Internal Audit Reports (Item 5)

- 5.1 The Audit Panel received the report of the Executive Director of Resources. Appended to the report were: seven internal audit reports (of which two had received substantial assurances, three had received adequate assurances, and two had received limited assurances); four follow-up reports (of which one had received a substantial assurance and three had received adequate assurances); and the internal audit progress report.
- 5.2 The Chairman noted that a number of reports, including the housing reports, had been submitted late and had, therefore, been published as part of a supplementary agenda. The Director of Audit, Risk and Assurance (MOPAC) explained this had been in order to allow the Executive Director of Housing and Land additional time to consider the reports.

Internal Audit Reports

- 5.3 The Panel considered the following recent internal audit reports (attached at Appendices 1a

to 1g of the report):

- Regeneration Funding Control Framework;
- ICT Procurement Framework;
- Housing Grants Monitoring and Control Framework;
- Decent Homes Programme Management Framework;
- Affordable Homes Programme Management Framework;
- Estate Strategy and Management of Assets; and
- Mayor's Mentoring Programme – Management Framework.

Regeneration Funding Control Framework

- 5.4 The Director of Audit, Risk and Assurance (MOPAC) noted that this had been a high-level review of the Framework and a more detailed assessment would be made later in the year. There was an effective governance framework in place, adequate processes in place for assessing bids and scrutiny, and a particularly good programme for evaluation.
- 5.5 Asked about an overall regeneration strategy in City Hall, the Assistant Director for Regeneration explained that the economic strategy was the governing piece of work.

ICT Procurement Framework

- 5.6 The Head of Technology confirmed that all four of the recommendations in the report had been accepted.

Housing Grants Monitoring and Control Framework

- 5.7 The Director of Audit, Risk and Assurance (MOPAC) explained that this audit had been a high-level review to consider the grant monitoring framework following the move of the HCA's responsibilities for London to City Hall. The recommendations in the report were an opportunity to standardise procedures. It was recognised that in some instances this would be difficult to achieve, however, undertakings had been given by the GLA that where there were lessons to be learnt for one programme, the Housing Team would consider if there were similar improvements to be made for other programmes. It was also felt there were improvements which could be made to escalate risk to the corporate risk register.
- 5.8 The Assistant Director for Programme, Policy and Services explained that the Housing and Land Directorate had put processes in place to meet this recommendation. Asked by the Chairman about the procedures for payment under this programme, the Assistant Director for Programme, Policy and Services explained that payment by completion under the Affordable Homes Programme had been a system inherited by the GLA when powers and functions had been transferred over from the HCA. From 2015, the programme would be a wholly new programme managed entirely by the GLA. Where there were lessons to be learnt from the

HCA's work, they would be implemented then.

Decent Homes Programme Management Framework

- 5.9 The Director of Audit, Risk and Assurance (MOPAC) noted that an adequate assurance had been given overall and there were clearly defined criteria for assessments of bids. One area where processes could be improved was where the GLA relied on external organisations to sign off finances. Current arrangements required Chief Finance Officers, or their equivalent, to confirm that appropriate processes had been followed and complied with. The report recommended that the GLA hold a list of authorised signatories.
- 5.10 In response to a question from the Chairman about the level of risk this could present, the External Auditor said the important question to consider was to what extent an assurance was needed, given that this was not a Government requirement.
- 5.11 Gareth Bacon AM suggested it would be relatively easy to get a list of the 32 Chief Finance Officers in London boroughs and that, although the risk of fraud was minimal, the recommendation should be accepted.
- 5.12 The Assistant Director – Programme, Policy and Services explained that, in relation to the third recommendation, additional checks would be introduced so that independent audit reports would be required as part of annual claims. On the second recommendation, it was felt that sufficient meetings were already held with London boroughs where problems about the programme could be raised. Finally, on the first recommendation, it was felt that it was reasonable to rely on boroughs to know who their section 151 officers were and that accepting the recommendation would offer no added value. The Head of Financial Services added that the recommendation on its own was not onerous, but that it would add little value, especially considering the other checks were adequate.
- 5.13 The Executive Director of Resources assured the Panel that there would be further consideration of this recommendation during the follow-up review.

Affordable Homes Programme Management Framework

- 5.14 It was noted that this had received a substantial assurance. A good governance and control framework was in place.

Estate Strategy and Management of Assets

- 5.15 The Director of Audit, Risk and Assurance (MOPAC) explained that the limited assurance received on this report reflected the expanded role of the GLA and the transfer of assets in April 2012. As yet, a full implementation plan for the estate was not yet in place.

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- 5.16 The Assistant Director for Strategic Projects and Property explained that considerable work had been undertaken to formulate an asset strategy. A proposal would go to the Home Investment Group and, if accepted, would be published in November 2013. Following this an implementation plan would be produced which would include monitoring and reporting strategies. Two hundred and eighty nine assets had been transferred from the LLDC and the HCA to the GLA but it was taking time to work through all of the separate strategies. The internal auditors' recommendations had been accepted in full.
- 5.17 The Assistant Director for Land Estates and Property noted that they were moving towards a single management plan for the entire portfolio.

Mayor's Mentoring Programme – Management Framework

- 5.18 The Director for Audit, Risk and Assurance (MOPAC) stated that this audit had resulted in a rating of limited assurance. Although measures had been introduced over the past year to improve the control framework, further work was deemed to be required. There was a clearly defined strategy, as well as procedures for oversight, monitoring, reporting and approval of payments. In order to address risk, however, the audit report proposed a greater level of assurance around the evidence retained on the vetting of mentors. There had been a change in eligible criteria for participating mentees which, it was felt, could be communicated more clearly. It was also felt that improvements could be made in the communications between managing agents and the GLA, and around the timeliness of reporting in order to ensure outputs were captured.
- 5.19 The Executive Director of Communities and Intelligence noted that the Mayor's Mentoring Programme had been the subject of review by the GLA Oversight Committee. The programme was designed to provide interventions in difficult areas of social policy and this audit had taken place one quarter after a new process had been introduced. Furthermore, the programme involved grass roots groups, so it was not perhaps surprising that a limited assurance had been given. Overall the programme was delivering well, and in many cases was achieving close to or higher than the targets predicated this time last year.
- 5.20 Six of the seven recommendations had been accepted. The Executive Director of Communities and Intelligence noted that one of the recommendations asked for managing agents to check all Criminal Record Bureau checks after six months. Although it was felt to be an excessive measure, additional funding would be paid to managing agents to carry out this work in order to address the recommendation. However, the recommendation which proposed that such checks should be collated by the GLA centrally had not been accepted as it was felt to be excessive in terms of the likely impact on the Authority's resources, especially as sampling checks were already carried out. Moreover, accepting this recommendation could have consequences for other larger and more expensive programmes where the associated costs of additional checks would be even greater.

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- 5.21 A discussion was had about the numbers of people with whom the auditors had undertaken checks; the Executive Director of Communities and Intelligence stated that he understood that 20% of the participants had been checked and that no issues had arisen; the Director of Audit, Risk and Assurance (MOPAC) stated that she understood that 20 people had been checked as part of the review. The Executive Director of Communities and Intelligence explained that even if a low analysis had been undertaken by the internal auditors, there had been a high number of matched relationships with no complaints.
- 5.22 Gareth Bacon AM suggested that while checking 100% of participants could be excessive, 20% was possibly not enough. The Chairman added that a range of strategies was required for sufficient oversight. It was agreed that this point should be drawn to the attention of the GLA Oversight Committee in relation to its work on the Mayor's mentoring programme.

Internal Audit Follow-up Reports

- 5.23 The Audit Panel considered the following recent internal audit reports (attached at Appendices 2a-2d):
- Agency Staff and Consultants – Follow-up;
 - Contract Monitoring Framework – Follow-up;
 - Capital Programme - Monitoring and Control – Follow-up;
 - Members' Allowances and Expenses Control Framework – Follow-up.

Agency Staff and Consultants – Follow-Up

- 5.24 The Deputy Chairman noted that one of the recommendations (10.2) had not been implemented. In response, the Head of Financial Resources said that a separate report would not be productive nor had it been asked for. It was noted that there had been a change in management since the recommendations had originally been accepted.
- 5.25 The Chairman suggested that a discussion with the Internal Auditors would be pertinent if, in retrospect, the recommendation was no longer being accepted. In reply, the Director for Audit, Risk and Assurance (MOPAC) explained that the initial findings had been around capturing the costs of agency staff. GLA officers felt that there were other formats when this information would arise.
- 5.26 The Chairman proposed the internal auditors be invited to review their position given that the recommendation had not been accepted when this was next reviewed.

Contract Monitoring Framework – Follow-Up

- 5.27 It was noted that all of the recommendations had been agreed.

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- 5.28 Asked by Gareth Bacon AM why the original recommendations had not yet been implemented if they had been proposed in November 2012, the Head of Financial Services explained that the issue had been raised with TfL. The Executive Director of Resources confirmed that he was to meet with TfL in December to discuss this.

Capital Programme – Monitoring and Control – Follow-Up

- 5.29 The Head of Financial Services noted that the target for implementation of recommendation 8.8 was November and not October as stated in the report.

Members’ Allowances and Expenses Control Framework – Follow-Up

- 5.30 It was noted that this report had received a substantial assurance and not adequate as set out in the report.

Internal Audit – Progress Report

- 5.31 The Audit Panel considered the Internal Audit – Progress Report. The Head of Governance and Resilience noted that an audit charter had been drafted in line with public audit standards. This would be brought to a future Audit Panel meeting for approval.
- 5.32 In response to a recommendation from the Chairman, the Head of Governance and Resilience noted that where internal auditors gave limited assurances on reports, this was raised to the Mayor’s attention. He agreed to include comments from the Audit Panel where reports had received limited assurance as part of this process.

- 5.33 **Resolved:**

That the following be noted:

- (a) The reports at Appendices 1a to 1g;**
- (b) The follow up reviews at Appendices 2a to 2d; and**
- (c) The Progress Report at Appendix 3.**

6 Risk Management (Item 6)

- 6.1 The Audit Panel received the report of the Executive Director of Resources.
- 6.2 The Head of Governance and Resilience noted some amendments had been made to the Corporate Risk Register since it was last reported.

6.3 The Chairman highlighted the importance of air quality in London. The Head of Governance and Resilience explained there was a policy risk and a process risk to these targets, the latter of which was being raised with the European Commission, especially as London was not the only area to find this target to be a challenge.

6.4 **Resolved:**

That the Corporate Risk Register be noted.

7 Monitoring of Expenses and Taxable Benefits - Mayor, Elected Members and Senior Staff - 2013/14 (Item 7)

7.1 The Audit Panel received the report of the Executive Director of Resources.

7.2 **Resolved:**

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

8 Register of Gifts and Hospitality - Mayor and Assembly Members (Item 8)

8.1 The Audit Panel received the report of the Monitoring Officer.

8.2 **Resolved:**

That the report and the contents of Appendix 2 attached to the report, which sets out gifts and hospitality declared by the Mayor and Assembly Members in the period from 1 February 2012 (10am) until 1 September 2013 (10am) be noted.

9 Register of Gifts and Hospitality - Members of Staff - Report of the Monitoring Officer (Item 9)

9.1 The Audit Panel received the report of the Monitoring Officer.

9.2 **Resolved:**

That the declared gifts and hospitality by (i) staff directly appointed by the Mayor under section 67(1) of the Greater London Authority Act 1999 (as amended) and

(ii) senior staff appointed by the Head of Paid Service, namely staff at Head of Unit level and above, during the period from 1 February 2013 (10am) to 1 September 2013 (10am) be noted.

10 Work Programme for the Audit Panel (Item 10)

- 10.1 The Audit Panel received the report of the Executive Director of Resources.
- 10.2 It was noted that the Gifts and Hospitality Follow Up report would go to the Audit Panel's March 2014 meeting and not the December 2013 meeting as set out in the report.
- 10.3 **Resolved:**

That the updated work programme for 2013/14 be noted.

11 Date of Next Meeting (Item 11)

- 11.1 The next meeting of the Audit Panel was scheduled for 17 December 2013 at 3.30pm in Committee Room 5, City Hall.

12 Any Other Business the Chair Considers Urgent (Item 12)

- 12.1 There was no urgent business.

13 Close of Meeting

- 13.1 The meeting ended at 5.05pm.

Chairman

Date

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