

MINUTES

Meeting: Audit Panel

Date: Wednesday 22 October 2014

Time: 2.30 pm

Place: Committee Room 5, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at:

<http://www.london.gov.uk/mayor-assembly/the-london-assembly/audit-panel>

Present:

John Biggs AM (Chairman)

Gareth Bacon AM

Dr Onkar Sahota AM

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

1.1 An apology for absence was received from Roger Evans AM, Deputy Chairman.

2 Declarations of Interests (Item 2)

2.1 **Resolved:**

That the list of Assembly Members' appointments, as set out in the table at item 2, be noted as disclosable pecuniary interests.

2.2 It was noted that during the discussion on Agenda Item 5 (External Audit Reports), the Chairman declared a non-pecuniary interest as he had been Deputy Chair of the London Development Agency's Board at the time when the decision on the JESSICA investment had been taken. As the interest was not a pecuniary interest he remained in the meeting for this item.

3 Minutes (Item 3)

3.1 Resolved:

That the minutes of the meeting of the Audit Panel held on 15 July 2014 be signed by the Chairman as a correct record.

4 Summary List of Actions (Item 4)

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

4.2 Resolved:

That the completed action arising from the previous meeting of the Audit Panel be noted.

4.3 At this point during the proceedings, the Chairman stated that, in accordance with Standing Order 2.2D and with the consent of the Panel, he would take consideration of Appendix 1a, Appendix 1d and Appendices 2a to 2e of Agenda Item 6 (Internal Audit Reports) before Agenda Item 5 (External Auditor's GLA and GLA Group Audit Results Report 2013/14).

5 Internal Audit Reports (Item 6)

5.1 The Panel received the report of the Executive Director of Resources. Appended to the report were: four internal audit reports (all of which had received adequate assurance); six follow up reports (of which five had received substantial assurance and one had received adequate assurance); and the internal audit progress report.

Internal Audit Reports

5.2 The Audit Panel considered the following recent audit reports (attached at Appendices 1a and 1d of the report):

- Review of London's European Office (Appendix 1a); and
- Review of Income from the GLA Estate (Appendix 1d).

Review of Income from the GLA Estate

5.3 In response to a question, the Assistant Director – Strategic Projects and Property stated that the priority was to maximise the income from and value of the GLA's estate. He explained that the GLA had a Single Property Unit whose meetings were chaired by the Deputy Mayor for Housing, Land and Property.

Internal Audit Reports – Follow Up

- 5.4 The Audit Panel considered the following recent internal audit reports (attached at Appendices 2a to 2e of the report):
- Follow Up Review of Estate Strategy and Management of Assets (Appendix 2a);
 - Follow Up Review of Energy and Environmental Strategy Framework and Implementation (Appendix 2b);
 - Follow Up Review of the London Plan and Implementation (Appendix 2c);
 - Follow Up Review of the Mayor’s Mentoring Programme Management Framework (Appendix 2d); and
 - Follow Up Review of Sickness Monitoring and Control (Appendix 2e).

Review of the Mayor’s Mentoring Programme Management Framework - Follow Up

- 5.5 The Assistant Director of Health and Communities stated that six out of seven of Internal Audit’s recommendations had now been implemented. However, the recommendation relating to the creation of a sustainability plan for each Local Delivery Partner (LDP) had only been partially implemented. The Assistant Director of Health and Communities explained that a sustainability workshop had taken place in March 2014 and that a further workshop had been held in September 2014 but some of the LDP’s sustainability plans required further work. An external facilitator would help the LDPS develop their sustainability plans and it was expected that those plans would be in place by March 2015. The Director of Audit, Risk and Assurance, MOPAC confirmed that good progress had been made.
- 5.6 The second part of the Panel’s discussion on the Internal Audit Reports is set out in Minute 7 following the discussion on the External Auditor’s GLA Group and Audit Results Report 2013/14 (Minute 6 below).

6 External Auditor's GLA and GLA Group Audit Results Report 2013/14 (Item 5)

- 6.1 The Panel received the report of the Executive Director of Resources.
- 6.2 The External Auditor introduced the report. The External Auditor stated that the accounts had now been signed off.
- 6.3 The External Auditor highlighted the accounting judgements and issues arising for the GLA and GLA Group (page 30 of the agenda). He explained that the External Auditors had spent much time on the GLA’s Non-Domestic Rates (NDR) Appeals provision and the GLA had undertaken thorough work on the issue. The Panel noted that many London boroughs had dealt with high numbers of appeals. The Executive Director of Resources stated that he was now reasonably certain that all the appeals that were going to be lodged had now been

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lodged in the current revaluation period. However, there would be a risk of a large number of appeals arising from the 2017 revaluation depending on the rateable values in London compared to the rest of England. The Executive Director of Resources stated that the GLA was undertaking work with the London boroughs to assist them in helping to keep the Valuation Office Agency up to date with rateable values in London.

- 6.4 The External Auditor stated that he had concurred with the GLA's conclusion to impair the JESSICA long-term investment asset to nil, as although it was possible that the funding would be repaid, the GLA had no assurance that the funding would be repaid in the future.
- 6.5 It was noted that during the discussion on the JESSICA investment impairment, the Chairman declared a non-pecuniary interest as he had been Deputy Chair of the London Development Agency's Board at the time when the decision on the JESSICA investment had been taken. As the interest was not pecuniary he remained in the meeting for this item.
- 6.6 The External Auditor stated that there were no significant issues arising from the prior period adjustments in GLAP Ltd. He added that good provision had been made on Compulsory Purchase Order Provision.
- 6.7 The External Auditor turned to the accounting judgements and issues arising for the GLA Group only (page 31 of the agenda). He stated that the ArcelorMittal Orbit asset valuation had been impaired because although the asset had originally been valued at £6 million, that valuation was based on estimated visitor numbers of 350,000 per year and the actual number of visitors was significantly lower. Gareth Bacon AM stated that the Regeneration Committee had visited the ArcelorMittal Orbit and the Olympic Stadium on 15 October 2014 as part of its on-going scrutiny investigation into stadium regeneration.
- 6.8 The External Auditor stated that the Olympic Stadium transformation expenditure would be impaired over the period of the transformation works to reflect the difference between the cost of the transformation works and what the value of the asset would be at the conclusion of the transformation works. In response to a question about how the Olympic Stadium was valued, the External Auditor stated that the London Legacy Development Corporation (LLDC) had engaged external expert valuers because it was a unique asset built for the Olympic and Paralympic Games. The Executive Director of Resources stated that the additional cost of the Olympic Stadium transformation works had just been announced as being £36 million.
- 6.9 Turning to the GLA's arrangements to secure economy, efficiency and effectiveness, the External Auditor stated that there were two areas which the GLA needed to keep a close eye on or strengthen its arrangements but neither area was considered to be significant to the External Auditor's overall Value for Money conclusion. The first area was the risks the GLA was exposed to from the LLDC's financial and operating performance. The External Auditor stated that the LLDC was strengthening its Accounting function and had appointed a new Chief Finance Officer. In future, MOPAC would provide the internal audit service. The Executive Director of Resources added that the LLDC's finance function was changing and that he and the GLA's Head of Paid Service had led the enhanced oversight by the GLA of

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the LLDC. Furthermore, the LLDC's legal advice was now provided by Transport for London and its Secretariat services were provided by the GLA. The Executive Director of Resources explained the receipt sharing arrangements from the disposal of land to the Panel.

- 6.10 The Chairman referred to a forthcoming proposal for creating a Mayoral Development Corporation (MDC) at Old Oak Common, on which the Mayor was to consult the Assembly in December 2014. The Executive Director of Resources stated that if the MDC was created, it was expected that all relevant professional services would be provided by the GLA, in contrast to the LLDC where shared services arrangement had not been integral from the start as it had developed from the Olympics Park Legacy Company which had not been a functional body.
- 6.11 The Panel discussed the External Auditor's conclusions regarding the governance and decision-making over the appointment and remuneration of non-statutory Deputy Mayors. The Chairman noted that the External Auditor had concluded that the remuneration of non-statutory Deputy Mayors was lawful and he asked about the protocol for how issues were escalated to the External Auditor. The External Auditor responded that it would be the same process whether an Assembly Member or a member of the public wrote to him to ask him to investigate an issue. He would take a view as to whether the request was frivolous or vexatious and he would then talk to the GLA as to how it wished to respond before he took any action. He would also discuss the issue with the Audit Commission to ascertain if the Commission thought it was a matter which he should review.
- 6.12 In response to questions on the background of this issue the Panel noted that at the request of the London Assembly's former Business Management and Administration Committee, a QC's opinion had been sought in 2010 on a number of questions relating to non-statutory Deputy Mayors. Although there had been no proposal to remunerate any non-statutory Deputy Mayors at the time, the QC's advice included his opinion that, subject to the precise terms on which they had been appointed, a non-statutory Deputy Mayor could not be remunerated. Following the later decision by the Mayor to pay the holder of the office of Deputy Mayor for Business and Enterprise, the Executive Director of Secretariat sought clarification from the same QC. The QC had then advised that, having reviewed the powers available and the terms of this particular appointment, in his opinion it was lawful, under S30 of the GLA Act 1999 (as amended), for the Mayor to remunerate an Assembly Member who was appointed as a non-statutory Deputy Mayor for the services rendered by that person under a contract for his role as Deputy Mayor for Business and Enterprise.
- 6.13 The Chairman requested that the External Auditor's letter regarding the appointment and remuneration of non-statutory Deputy Mayors and the QC's opinion form 2014 be circulated to the Panel.
- 6.14 On behalf of the Panel, the Chairman thanked the External Auditor for the work he had undertaken.
- 6.15 **Resolved:**

That the contents of the External Auditor's GLA and GLA Group Audit Results

Report 2013/14 be noted.

7 Internal Audit Reports (Item 6)

7.1 The Audit Panel considered the following recent audit reports (attached at Appendices 1b and 1c to the report):

- Review of Procurement Framework (Appendix 1b); and
- Performance Management Analytical Review (Appendix 1c).

Review of Procurement Framework

7.2 The Chairman sought assurance that the procurement framework provided value for money. The Head of Financial Services responded that before 2012 the GLA had employed four staff to provide procurement services to the GLA's Business Units. However, they had not been able to provide the full range of procurement services that TfL now provided. Furthermore, the GLA had taken on additional responsibilities in relation to land and property in the last two years which had resulted in much more procurement activity.

7.3 In response to a question, the Director of Audit, Risk and Assurance, MOPAC, stated that she had asked for further assurance on an on-going basis that the GLA was receiving value for money from procurement and to have more precise performance indicators in this regard. The Head of Financial Services stated that TfL had not had Service Level Agreements or performance indicators previously, which meant that the GLA was not able to impose these requirements on TfL due to the way in which the shared services arrangements had to operate, but TfL was now looking to implement performance indicators and had now separated the functions of negotiating contracts and procurement under those contracts. The Chairman stated that he was concerned to ensure that the GLA achieved value for money and without evaluation what it would cost if the function were to be brought back in-house, in comparison to the cost of TfL providing procurement. The Executive Director of Resources stated that in the past, for good reasons, there had not been transparency in the procurement function but in November the GLA would receive its first six monthly report on procurement activity. He also explained to the Panel that the GLA used TfL's SAP system for procurement and without that the GLA would not be able to run its purchasing functions.

Internal Audit Reports – Follow Up

7.4 The Audit Panel considered the following recent internal audit report, Follow Up Review of the Performance Management Framework (attached at Appendix 2f to the report).

Internal Audit Progress Report

7.5 The Audit Panel considered Internal Audit's Progress Report Framework (attached at Appendix 3 to the report).

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7.6 The Head of Audit and Assurance – Risk Management, MOPAC stated that Internal Audit had been asked by the Executive Director for Communities and Intelligence to undertake work additional to the planned work programme to review and report on the procurement of consultancy services for the iCity project. The Head of Governance and Resilience stated that the request to undertake additional work followed a concern raised by a member of the public.

7.7 **Resolved:**

That the contents of the internal audit report, including the reports attached as Appendices 1a to 1d of the report, the follow up reports, attached as Appendices 2a to 2f of the report and the Internal Audit Progress Report, attached at Appendix 3 to the report be noted.

8 Risk Management (Item 7)

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

8.2 The Head of Governance and Resilience stated that the Head of Paid Service and Executive Director for Resources were personally involved with managing the risks arising from the LLDC's work.

8.3 **Resolved:**

That the corporate risk register be noted.

9 Monitoring of Expenses and Taxable Benefits - Mayor, Elected Members and Senior Staff - 2014/15 (Item 8)

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

9.2 Resolved:

That the taxable benefits and expenses submitted by the Mayor, London Assembly Members and senior staff during the period 1 April 2014 to 31 August 2014, be noted.

10 Register of Gifts and Hospitality - Mayor and Assembly Members (Item 9)

10.1 The Panel received the report of the Monitoring Officer.

10.2 Resolved:

That the report and contents of Appendix 1, which sets out gifts and hospitality declared by the Mayor and Members of the London Assembly for the period 1 February 2014 (10am) until 1 September 2014 (10am), be noted.

11 Register of Gifts and Hospitality - Senior Staff (Item 10)

11.1 The Panel received the report of the Monitoring Officer.

11.2 Resolved:

That the declared gifts and hospitality by: (i) staff directly appointed by the Mayor under 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 2014 (10am) to 1 September 2014 (10 am), be noted.

12 Work Programme for the Audit Panel 2014/15 (Item 11)

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

12.2 The Executive Director of Resources stated that he would submit a report to the Panel's next meeting on 10 December 2014 on the local Audit and Accountability Act 2014, which would set out the future requirements for local government auditing.

12.3 **Resolved:**

That the Audit Panel's work programme for the remainder of the 2014/15 Assembly year be approved.

13 Date of Next Meeting (Item 12)

13.1 The next meeting of the Audit Panel was scheduled for 10 December 2014 at 2.00pm in Committee Room 5.

14 Any Other Business the Chairman Considers Urgent (Item 13)

14.1 There was no other business the Chairman considered urgent.

15 Close of Meeting

15.1 The meeting ended at 4.10pm.

Chairman

Date

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