

MINUTES

Meeting: Audit Panel

Date: Tuesday 15 July 2014

Time: 3.30 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/london-assembly/audit-panel>

Present:

John Biggs AM (Chairman)
Roger Evans AM (Deputy Chairman)
Dr Onkar Sahota AM

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

1.1 An apology for absence was received from Gareth Bacon AM.

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.

3 Membership of the Panel (Item 3)

3.1 **Resolved:**

That the membership and chairing arrangements for the Panel as agreed by the Annual Meeting of the Assembly on 14 May 2014 be noted as follows:

John Biggs AM (Chairman)
Roger Evans AM (Deputy Chairman)
Gareth Bacon AM
Dr Onkar Sahota AM

4 Terms of Reference (Item 4)

4.1 Resolved:

That the terms of reference of the Panel, as agreed by the Annual Meeting of the Assembly on 14 May 2014, be noted as follows:

- 1. The Audit Panel will be concerned with ensuring the security of and monitoring of financial systems, ensuring that there is an anti-fraud culture, and promoting probity and good practice within the core GLA.**
- 2. To liaise with the external auditors over their annual programme and, with the Mayor as appropriate, to approve the annual internal audit programme.**
- 3. To deal as appropriate with matters raised by the external auditors' management letters and reports and, where a report is made in respect of the GLA, to make recommendations to the Assembly at the meeting at which the report is to be formally considered in the presence of the Mayor in accordance with Schedule 8 in the 1999 Act.**
- 4. To deal as appropriate with matters arising from the internal auditors' reports and to comment to the Mayor on matters relevant to his/her responsibilities.**
- 5. To review the GLA's Risk Management Policy and comment to the Mayor as appropriate.**

5 Standing Delegation (Item 5)

5.1 Resolved:

That the standing delegation to the Chairman as agreed by the Annual Meeting of the Assembly on 1 May 2013 be noted as follows:

That a general authority be delegated to the Chairman, following consultation with

the lead Members of the party Groups on the Committee, to respond on the Committee's behalf where it is consulted on issues by organisations and there is insufficient time to consider the consultation at a Committee meeting.

6 Minutes (Item 6)

6.1 Resolved:

That the minutes of the meeting of the Audit Panel held on 20 March 2014 be signed by the Chairman as a correct record.

7 Summary List of Actions (Item 7)

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

7.2 Resolved:

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

8 External Audit Reports (Item 8)

8.1 The Chairman asked the External Auditor to provide an oral update on the progress of the external audit.

8.2 The External Auditor informed the Panel that they were currently in the middle of the audit but that no new items of risk or areas of focus had been identified to date. The Greater London Authority (GLA) single entity audit and GLA Land and Property Ltd (GLAP) parts of the audit were close to completion. The major item of discussion had been the business rates and the share of the provision, but no specific issues had been established. In relation to the consolidation of the London Legacy Development Corporation (LLDC) and E20 Stadium Partnership (E20) parts, the External Auditor informed the Audit Panel that it had yet to be completed, as it had been expected that there would be changes to the first draft of accounts from LLDC and E20 that would require an iteration of the consolidation. The main items would be consideration of the value of the Arcelormittal Orbit and, potentially the Orbit loan with Arcelormittal. The Panel was informed that the charge in the profit and loss would probably be larger than the amount the GLA had actually paid towards the loan, due to joint venture accounting and the asymmetry between the rights and rewards between the London Legacy Development Corporation (LLDC) and the London Borough of Newham.

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- 8.3 Responding to a request from the Chairman for further clarification, the External Auditor reported that the first draft of accounts had been prepared based on expected visitor numbers. Actual visitor numbers were now available and they were lower than expected, so there was probably impairment to the value; and associated with that there was a loan repayable out of profits. On E20, the joint venture arrangement meant that LLDC had to wait some years before it received any reward from the joint venture, and the London Borough (LB) of Newham would take its reward first. LB Newham also put in significantly less money and so the GLA would have a share of any losses of E20, and could also have to account for any impairment in the value of the initial investment.

9 Internal Audit Reports (Item 9)

- 9.1 The Audit Panel received the report of the Executive Director of Resources. Appended to the report were: two internal audit reports (both of which had received substantial assurances); four follow-up reports (of which two had received substantial assurances, and two had received adequate assurances) the Progress Report; and the Annual Report 2013-14.

Internal Audit Reports

- 9.2 The Audit Panel considered the following recent audit reports (attached at Appendices 1a to 1b of the report):
- GLA Recruitment Framework; and
 - Delivery of the Mayor's Outer London Fund and Mayor's Regeneration Fund.

GLA Recruitment Framework

- 9.3 The Director of Audit, Risk and Assurance for the Mayor's Office for Policing and Crime (MOPAC) informed the Audit Panel that this report and review was rated substantial. There were clearly defined policies and procedures in place for recruitment. There were clearly defined job descriptions and the advertising arrangements were appropriate. There were also clearly defined terms and conditions in place to support appointments, and appropriate checks of references were undertaken. There was one minor issue discussed with the Assistant Director – Human Resources and Organisational Development and that was to ensure that those who have received training for the panels were recorded to ensure that the training was taking place.
- 9.4 The Deputy Chairman asked if Assembly Members were included in this training. The Assistant Director – Human Resources and Organisational Development replied that only employees received training, because the people who made the decisions on the panels were employees of the GLA; and Assembly Members tended to sit on panels and advise or give comments, but did not tend to be the decision makers in relation to staff appointments, as

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that was a power of the Head of Paid service, which was delegated to managers.

Delivery of the Mayor's Outer London Fund and Mayor's Regeneration Fund

- 9.5 The Director of Audit, Risk and Assurance (MOPAC) informed the Audit Panel that this review followed on from the programme Governance Framework conducted last year. This was a more detailed look at some of the projects within the programme and a number of projects were selected, as listed in the report, to review. It was granted a substantial assurance overall, in line with the rating given the previous year to the overall programme arrangements. The Director of Audit, Risk and Assurance (MOPAC) explained that there was a clearly defined framework that had been applied to monitoring the expenditure, and that claims and reimbursements were in line with work undertaken. Greater clarity around the validation for the self-evaluation of how well individuals had performed, or, the project had delivered against outputs, had been requested; as some independent verification as well as self-evaluation of the projects was needed.
- 9.6 The Chairman asked if the Assistant Director – Regeneration was genuinely content that the arrangements were robust from all angles. The Assistant Director – Regeneration expressed a high level of satisfaction with the outcome of the audit.

Internal Audit Reports – Follow Up

- 9.7 The Audit Panel considered the following recent internal audit reports (attached at Appendices 2a to 2d of the report):
- Estate Strategy and Management of Assets – Follow Up;
 - Gifts and Hospitality – Follow Up;
 - Decision Making Framework – Mayoral and Directorate – Follow Up; and
 - General Ledger – Follow Up.

Estates Strategy and Management of Assets – Follow-Up

- 9.8 The Assistant Director – Strategic Projects and Property explained that the version of the audit report in the agenda was incomplete, as the further recommendations of management response had not been completed.
- 9.9 The Director of Audit, Risk and Assurance (MOPAC) assured Audit Panel Members that for the three partly-implemented recommendations, revised timetables and action to ensure that they would be fully implemented had been agreed with the Assistant Director – Strategic Projects and Property and his team. The level of assurance had been increased to Adequate based on the follow-up and implementation of the plan to support the Estates Strategy. The Panel noted that the Assistant Director – Strategic Projects and Property was finalising some of the contractual and procurement arrangements, but progress had been made since the

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original review.

- 9.10 The Chairman asked if there was any risk to enhancing the progress if this report was taken at the next meeting of the Audit Panel; the Director of Audit, Risk and Assurance (MOPAC) and the Assistant Director – Strategic Projects and Property both confirmed that there was no risk.

Gifts and Hospitality – Follow-Up

- 9.11 The Director of Audit, Risk and Assurance (MOPAC) informed the Audit Panel that there had been an improvement overall, with six recommendations fully implemented and five partly implemented. The partly implemented recommendations were mainly due to the timing of the issue of the revised policy, which the Monitoring Officer had been consulting on and working across the GLA. The revised policy and documentation was now in process, but needed to be rolled out and implemented.
- 9.12 The Monitoring Officer stated that all the recommendations had been agreed and all the ones that were partly implemented were on course to be implemented in line with the timescales set out in the paper.
- 9.13 The Deputy Chairman expressed concern that there appeared to be a delay between the declaration for the report and publication online. The Monitoring Officer explained that, working with the Auditors, there was a check where an individual was asked to confirm that everything in the last six months was accurate; and a draft of the reports submitted to the Audit Panel was also sent to all the party Groups. The Panel also noted that the database included a functionality for declarations to be registered if there was a query around them, without them being published.

Decision Making Framework – Mayoral and Directorate – Follow-Up

- 9.14 The Director of Audit, Risk and Assurance (MOPAC) stated that good progress had been made and the recommendations that were made previously had been implemented.
- 9.15 In response to a comment from the Chairman on confidentiality, the Head of Governance and Resilience reported that officers were currently processing 100 Mayoral Directions, with a view, after consultation with the Legal Department, to publish as many as possible.
- 9.16 In response to a question about the involvement of the internal auditors, the Director of Audit, Risk and Assurance (MOPAC) replied that they had checked to ensure that there were criteria supporting a decision not to publish.

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General Ledger – Follow-Up

- 9.17 The Director of Audit, Risk and Assurance (MOPAC) stated that originally there were a couple of recommendations around improvement of control of journals which had now been implemented; hence the substantial assurance.

Internal Audit Progress Report

- 9.18 The Audit Panel considered the Progress Report. The Director of Audit, Risk and Assurance (MOPAC) informed the Audit Panel that the report confirmed the current position with the audit programme; and summarised those reports that the Audit Panel had discussed earlier in the meeting. The report noted that there were three reports at the draft report stage. The report also indicated the key areas of work planned for the next three months and she informed the Chairman that they would endeavour to bring as many of those to the Audit Panel at its next meeting in October 2014.

Internal Audit Annual Report 2013-14

- 9.19 The Director of Audit, Risk and Assurance (MOPAC) concluded that the GLA had an effective internal environment supported by an improving risk management framework. She had reviewed the GLA's governance arrangement and concluded they were clearly defined and regularly reviewed and updated. The GLA had also reviewed the scheme of delegation and financial regulations earlier in the year and that was reflected in the report; as was an improvement from the previous year in the Gifts and Hospitality process. She had also concluded the outcome of the performance management review, which was a key part of Corporate Governance. There was a clearly defined framework and there was an improved tracking of the delivery of outcomes, which was a revised approach for the GLA following the issue of the revised business plan.
- 9.20 The Director of Audit, Risk and Assurance (MOPAC) brought to the attention of the Audit Panel that 48% of first time reviews were adequate, 43% were substantial and 9% were rated as limited.
- 9.21 The Head of Governance and Resilience stated that the Mentoring Report would be submitted to the next meeting of the GLA Oversight Committee. The Director of Audit, Risk and Assurance (MOPAC) confirmed that the Follow-Up Report on Mentoring would be brought back to the next Audit Panel meeting and that implementation rates were good when they go back on Follow-Up (89%); also she had been liaising with the Head of Governance and Resilience on the Annual Governance Statement.
- 9.22 In terms of audit performance, the Director of Audit, Risk and Assurance (MOPAC) stated that they had delivered the plan as agreed for last year. She then brought to the attention of the Audit Panel that at the bottom of page 95 of the report, the savings indicated for the

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shared services provision should read £2.1 million. They were also taking on the audit service for the LLDC from 2015/16 and were working on the transition plans during 2014/15.

9.23 In response to a question from the Chairman about fraud, the Director of Audit, Risk and Assurance (MOPAC) replied that there were a couple of instances where they had been asked for advice last year. There were no significant issues around any of the requests and they were working with the Head of Governance and Resilience and his team on some fraud prevention for the coming year.

9.24 **Resolved:**

That the following be noted:

(a) That the reports at Appendices 1a and 1b be noted;

(b) That the Follow-Up reports at appendices 2a to 2d, and the action under paragraph 9.10 above be noted;

(c) That the Progress Report at Appendix 3 be noted; and

(d) That the Internal Audit Annual Report 2013-14, and the correction as stated in paragraph 9.22 above, be noted.

10 Annual Governance Statement 2013-14 (Item 10)

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

10.2 The Head of Governance and Resilience introduced the report. He reiterated that there was a close link with the Annual Report presented by Internal Audit, in terms of the evaluation of risk and other governance arrangements, and the various assurances given to audit reports through the year. Two reports received a limited assurance and the Chairman of the Audit Panel as well as other Assembly Committees were receiving updates on them; that process was ongoing, but progress was being made. The Head of Governance and Resilience also reported that the Annual Governance Statement covered a wide range of different issues as set out in Appendix C to the report, including the issues submitted by the Assembly. This was the Assembly's input into the process and would be considered by the GLA Oversight Committee at its meeting on 23 July 2014.

10.3 The Chairman asked if Appendix B concerning Mayoral Directions had been in the previous year's Annual Governance Statement. The Head of Governance and Resilience confirmed that it had been and explained that this was because Members had raised concerns around some of the LFEPA Directions.

10.4 The Chairman commented that there were a number of reasons why there might be a Mayoral

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Direction, and asked if a reason was in the summary. The Head of Governance and Resilience replied that, in broad terms, some of the Mayoral Directions on LFEPA were where there had been genuine disagreement. The Mayoral Directions and delegations of Section 30 powers to Transport for London (TfL) and the LLDC invariably related to these bodies establishing an audit trail with their Boards. It was almost always the case that they did not disagree, but they preferred to have an audit direction.

- 10.5 In response to a question from the Chairman on whether fares were statutorily a matter for a Mayoral Direction, the Head of Governance and Resilience replied that the decision on fares rests with the Mayor, and is actually a Mayoral Decision through the GLA. Also with TfL, Section 30 powers were often delegated because TfL's authority was limited to transport provision, and if there were broader functions expected of them, this is when Section 30 powers would be delegated.

11 Monitoring of Expenses and Taxable Benefits - Mayor, Elected Members and Senior Staff 2013-14 (Item 11)

- 11.1 The Panel received the report of the Executive Director of Resources.
- 11.2 The Head of Financial Services informed the Panel that at paragraphs 4.6 and 4.7 of the report, the second column in the tables should be headed "April 2013 to March 2014"; and not as currently shown.
- 11.3 The Chairman noted that there was a significant increase in foreign travel expenditure over the April 2012 to March 2013 and April 2013 to March 2014 period. The Head of Financial Services reported that the increase reflected the fact that in the previous financial year there were domestic matters of concern, and probably less expenditure on promoting London abroad.
- 11.4 The Chairman referred to a previous issue relating to Kit Malthouse AM and his declaration of hospitality that he had received and asked if this issue had been resolved. The Head of Financial Services replied that there had been an issue relating to London and Partners (of which Kit Malthouse AM is Chairman), and a lunch they had provided to him. Kit Malthouse AM was unclear if he was required to declare the lunch, but felt that it was correct procedure for him to make a declaration on the GLA's register; and that following further investigation by the Monitoring Officer, the matter had now been resolved (as reported on page 19 of the agenda for this meeting of the Panel).
- 11.5 The Chairman also recalled that a Group Leader had in the past raised the issue of remuneration for Kit Malthouse AM and asked if the GLA was clear that his remuneration was justified in audit terms, and whether it had to be reported anywhere. The Head of Governance and Resilience replied that the GLA was clear about the matter in audit terms

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and it was not necessary to formally report on it. He believed that in the past the GLA Oversight Committee had received reports on this topic, however he was unsure if the GLA Oversight Committee were planning to receive further reports in the near future. He continued stating that a number of years ago in the former role of Kit Malthouse AM (as Deputy Mayor for Policing and Crime), there had been a report on non-statutory Deputy Mayors in terms of remuneration; and the remuneration was based on that.

11.6 Resolved:

- (a) That the taxable benefits and expenses incurred by the Mayor, London Assembly and senior staff for the period 1 January 2014 to 31 March 2014 be noted; and**
- (b) That the corrections highlighted in paragraph 11.2 above, be noted.**

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

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

12.2 Resolved:

- (a) That the work programme for the 2014-15 Assembly year be noted; and**
- (b) That the decision to take the Estates Strategy and Management of Assets – Follow-Up Report at the meeting of the Audit Panel on 22 October 2014 be noted.**

13 Date of Next Meeting (Item 13)

13.1 The next meeting of the Audit Panel was scheduled for 22 October 2014 at 2.30pm in Committee Room 5.

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

14.1 There was no other business the Chairman considered urgent.

15 Close of Meeting

15.1 The meeting ended at 4.10pm.

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Chairman

Date

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