Apologies were received from Mrs Sue Lewry-Jones.

DECLARATIONS OF INTEREST - None

33. MINUTES

Resolved that the minutes of the meeting held on 13 January 2016 are confirmed as a correct record

34. Pensions Administration Update

The Pension Fund Panel is receiving regular updates on the workload and backlog in the Pensions Administration team, however it was felt that, as the service has just transferred, this was an appropriate point for this Committee to be updated also.

Julie Turner & Paul Garlick from LB Sutton updated the Committee on the workload in the Pensions Team; the plans for harmonisation of the Kingston and Sutton teams, workload management and progress on the software issues.

The transfer of service has gone well and the current focus is on the integration of the two teams, enhancement of skills, personal development, tackling the backlog and dealing with the software configuration issues. Staff are fully engaged with this and a Staff Forum has been established via Google+ so that issues can be raised and ideas contributed without delay. This will also be used to give staff regular updates on work completed, performance information, system changes and procedures, so that everyone has access to the same information.

The current backlog in the Kingston team is 1555 of which 191 are priority cases. Both teams have a backlog and a backlog team is being established to deal with this; the aim is to have largely cleared the backlog by 31 July. Additional temporary staff have been recruited and whilst only one has pensions systems experience people with strong data input and transfer skills have also been recruited.

Sutton’s Revenue and Benefits team use a Civica system which has a platform in common with the Pensions Admin system and skills in this team are being used to support Pensions Administration staff via their Development and Support Team.
Civica has also been working on a number of projects on configuration, including the reporting system, and these are now nearing completion. Weekly conference calls are in place with them to discuss system issues and progress on the service improvement plan.

Questions from the Committee concerned the preparation of data required for the Actuarial valuation, recruitment plans for skilled staff and the current recruitment freeze at Sutton.

The deadlines for the Kingston and Sutton data required by the respective actuaries are different so staff will be dedicated to this as required. The structure of the team is subject to review and pending this there is a freeze on recruitment to permanent posts, however capacity has been increased by the addition of the five temporary staff.

Members thanked Julie Turner for the comprehensive update, were reassured by the positive plans and indicated their support for the ongoing work.

Resolved that the position on

1. the Kingston workload on transfer into a shared service
2. the workload of the shared service
3. plans for the shared service short and medium term
4. software issues update
5. self service implementation update

is noted.

35. Fraud Update

As part of its work in maintaining an overview on the effectiveness of the arrangements for protecting the Council against fraud, the Committee received an update from Kevin Holland the Head of the South West London Fraud Partnership. This covered the work undertaken by the Partnership in 2015/16 and on a report on fraud risks specific to London - Protecting the London Public Purse 2015.

The structure and governance of the Partnership and the role of the Steering Group was illustrated.

All fraud investigation are agreed with Heads of Audit and may arise from cases referred direct from Internal Audit or from the public via the Confidential Hotline/email, staff or contractors through the Whistleblowing Policy. Over the year 148 new cases have been opened in Kingston making a total of 164 – 16 were carried forward. 73 remain open 57 were closed without sanctions and 34 cases closed with sanctions. A summary of sanctions is in Table 3 of the report.

The main areas were tenancy fraud, right to buy fraud, blue badge permits, staff fraud, contractor/supplier fraud.

Savings to February 2016 from sanctions are £1.4m, this includes £122,500 identified through the National Fraud Initiative (NFI) data matches, £252,000 on recovery of housing properties and £1.1m on Right to Buy discounts.
In addition the partnership is one of the pilot authorities in the National Fraud Initiative (NFI) on Council Tax Reduction Fraud and is also piloting joint working with the DWP on National Benefit and Housing Benefit fraud. Data matching on these generated more than 1000 matches defined as high risk, 243 are still being reviewed.

Another initiative is a review of National Non Domestic Rate processes (NNDR) including relief to charities and small business rate relief.

Protecting the Public Purse London 2015 identifies trends in current fraud risk, highlights emerging risks and provides benchmark information for London councils and the public.

Particular fraud risks in London are:

Right to buy fraud has increased hugely, with detected cases more than doubling to 300 in 14/15 and the value of this fraud increasing by more than 185% to almost £26m

An emerging fraud trend relates to people with no recourse to public funds, mainly claimants using fake documents to wrongly claim they have children to obtain benefits - 432 cases London wide were identified worth more than £7 million

Resolved that:

1. the fraud work undertaken and performance results 2015/16 to the end of February 2016 is noted.
2. the update on Protecting the Public Purse 2015 is noted.

36. Grant Certification Report 2014-15

The Council is required to submit a range of grant claims and returns to various central Government departments on the way in which specific grant funding has been used. The Government requires several of these claims or returns to be reviewed and certified as correct by the Council's external auditor, Grant Thornton.

This year, under the revised audit reporting arrangements only the audit of the Housing Benefit Subsidy Claim needs to be reported within Grant Thornton’s Certification report. However so that the Committee is aware of the full picture, details of the other items audited by Grant Thornton were reported by the Director of Finance.

Housing Benefit Subsidy claim - The value of the grant was £72.9million in 2014-15. The claim was qualified and required some amendments, but these did not affect the amount of subsidy received. The auditor raised one recommendation on the accuracy of data input. In response management identified changes in the approach to and management of individuals’ performance. These have been implemented during March 2016.

Other items audited by Grant Thornton for 2014-15 were
• Pooling of Housing capital receipts - for the Department for Communities & Local Government (DCLG)
• Teachers’ Pensions Contributions - for the Teachers’ Pensions Authority (TP)
• Decent Homes Backlog Funding - for the Greater London Authority (GLA).

Resolved that

1. the outcome of the external audit of a number of grant claims and returns made by the Council in respect of expenditure incurred in 2014-15 is noted;

2. the actions in respect of the Housing Benefit Subsidy Claim are endorsed.

37. External Audit Plan 2015/16

Appendix D

Chris Long of Grant Thornton presented the external Audit Plan to 31 March 2015. This covered the 4 key areas of challenges and opportunities facing the Council and the work the auditors would be doing -

Financial challenges following the autumn statement 2015/16 the Chancellor indicated local authorities would have greater control over their finances. Central government funding is being reduced by 24% in the five years to 2020. The Council's financial planning anticipates a funding reduction of 41% from 2015/16 to 2016/17 and no central funding by 2020

Shaping the future – the Enabling Council approach which will transform how services are delivered, mainly in partnerships rather than directly by the Council, in the face of reduced resources. An approach informed by a change in budget approach focussed against eight community outcomes centred on People and Growth.

Housing - the impact of the housing policy changes in the Autumn Statement on the Housing Revenue Account Business Plan.

Earlier closedown of accounts from 2017/18 - this will change the approval and audit of financial statements from the end of June and September to 31 May and 31 July.

Other aspects of the audit work will reflect changes to audit requirements being introduced for 2015/16 and from 2016/17. Those for 2015/16 relate to surplus assets - plant, property and equipment - which must be valued at fair value rather than the existing use value. This already applies to investment property assets. Valuation work will need to be carried out this year to prepare for the inclusion of highway network assets in 2016/17.

The explanatory foreword to the accounts will be replaced by a narrative statement on financial performance and the use of resources.
In addition to the presumed risks inherent in all audits two additional risks have been identified. These relate to the valuation of the pension fund net liability and valuation of property, plant and equipment.

The results of interim audit work were summarised, these include the review of processes and transactions and walkthrough tests of controls in various areas. No concerns have arisen from the work done to date

Resolved that the Audit Plan is noted

38. Pension Fund Audit Plan  Appendix E

Elizabeth Olive of Grant Thornton presented the external Audit Plan for the Pension Fund to 31 March 2016.

The role of the external auditors under the National Audit Code is to give an opinion on

- the Fund’s financial statements
- the Pension Fund Annual Report

There are 2 presumed significant risks of material misstatement in all audits – fraudulent transactions and management over ride of control. An additional risk identified relates to investment purchases/sales and investment valuations. The work carried out to date on this and the planned audit work was detailed.

There are not considered to be any specific risks around the Pensions Administration system. It was noted Grant Thornton has commissioned PWC to ensure that the data provided to the Actuary for the revaluation of the Fund is as accurate as possible.

The outcome of the audit will be reported to the September meeting.

Resolved that the Audit Plan for the Pension Fund is noted.

39. Corporate Risk Register Summary  Appendix F

An update to the Summary Corporate Risk Register and progress on the monitoring of the corporate risks for review this year was presented. The 2 risks selected by the Committee for review were

12 Frameworks and tools for new ways of working, particularly partnerships and

43 Data Protection

Following the Strategic Leadership Team’s (SLT) quarterly review of the Corporate Risk Register two additional risks have been included. One on the delivery of London Mayor and Assembly elections and the EU Referendum; the second on the Council’s public safety CCTV system.
The risk relating to the forthcoming elections and Referendum (Risk 69) has been included in the Summary Risk Register.

**Exclusion of the Press and Public**

It was Resolved to exclude the press and public from the meeting for the discussion on risks 12 and 43 on the grounds that it was likely that exempt information, as defined in paragraph 3 of Part I of Schedule 12A to the Act, would be disclosed and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

This paragraph covers information relating to the financial or business affairs of any particular person (including the authority holding that information).

Chris Morgan, Capability Lead – Commissioning, expanded on the background to Risk 12 – Framework and Tools for New Ways of Working, the detail of the process and procedures in place; the changes made over 2014-15 to enhance contract management skills and performance; the current developments to keep pace with the changing nature of how the Council operates and ensure the commercial and contract management are in place and the corporate approach to contract management and risk management through the Procontract system and close collaboration with Internal Audit.

Members’ questions ranged over the relationship with Internal Audit on Contract management; how recruitment has changed to increase the range of commercial contract procurement and management available in the Council and risk management.

Andrew Bessant, Head of Corporate Governance, presented the background to Risk 43 – Data Protection, initially included on the register in 2012, the range of procedures implemented which include security of remote working and use of removable devices. The role of the Corporate Information Governance and Security Board and the requirements of the Data Breaches Procedure.

Recent developments include an Internal Audit review of Data Security, the introduction of a mandatory online training module and the preparation of an updated online guide on information security.

The benchmark for public sector ICT security controls is accreditation from the Public Services Network Code of Connection, which the Council has, it also complies with the NHS Information Governance Toolkit.

Members suggested that giving Councillors access to the online training would be helpful and proposed that it was made available to this Committee initially for feedback before being made more widely available.

**Resolved** that

1. the updates to the Summary Corporate Risk Register (SCRR) at Annex 1 are noted and that the SCRR will continue to be reviewed and updated (where required) and reported at every meeting;
2. the information set out at Annex 2 and the on-going management and monitoring of Risk Nos 12 and 43 is noted.

40. Internal Audit Update

A summary of the work carried out by Internal Audit since January 2016 was presented.

The current audit plan has 662 days and 66 audits. As at 31 March 489.5 days had been delivered plus 82.5 days on management and advice to managers and follow up on previous recommendations. At the meeting date the plan was almost 100% complete with 56 audits completed or in progress 1 scheduled to start and 9 cancelled. The status of work and the assurance level for completed audits was detailed in Annex 1.

The 4 audits completed since the January meeting together with the 5 completed for AfC were detailed in Annex 2. The Priority 1 finding on Domiciliary Care contracts was noted. It was also noted that the latest report to the AfC Audit Committee had identified 13 Priority 1 recommendations mostly related to schools.

The expansion of the shared audit service continues. The London Borough of Sutton joined on 1 April 2016 and proposals are now in place for LB Wandsworth to join on 1 October 2016.

Resolved that:

1. the current position on the completion of the audit plan, the findings on audits competed since January and Priority 1 issues raised is noted;

2. the update on the expansion of the shared service is noted.

41. Internal Audit Recommendations - Follow up

A summary of progress on the implementation of Priority 1 Audit recommendations was considered. Since the last Audit Committee in January 8 recommendations have been completed; 5 are substantially complete and 2 have been superseded as a full review is planned in the coming year.
Reports have been presented to the Strategic Leadership Team (SLT) for consideration.
Of the 13 Priority 1 recommendations currently outstanding, 12 are classified as Amber – nearing completion or work plan in place. 3 have been superseded – the risk has been accepted/the finding is no longer relevant.
There is a single Red recommendation which relates to health and safety training on asbestos and legionella.
Concern was expressed that responsibility for implementation of this rests with the Health and Safety Board rather than an individual.

Progress on implementation will be included in the Annual Internal Audit report to the June meeting.

Resolved that the report is noted and the actions taken by management and Internal Audit are endorsed.

42. Internal Audit Strategy and Charter 2016/17

Internal audit work is undertaken by the South West London Audit Partnership (SWLAP) across the 4 Boroughs - Kingston, Richmond, Sutton and Merton.

The Accounts and Audit (England) Regulations 2015 require that an effective internal audit is undertaken to evaluate the effectiveness of a public body’s risk management, control and governance processes taking into account public sector Internal audit standards and guidance.

The Charter meets the requirements of the Public Sector Internal Audit Standards and is a formal document which establishes the position of the internal audit activity within the organisation. It authorises access to records, personnel and physical properties and defines the scope of activities.

The strategy covers how the service will be developed and delivered, together with the appropriate resourcing; an assessment of the risks which the audit service itself faces; how internal audit will rely on the assurance provided by other providers, and how the service will measure its performance and quality assurance.

Resolved that the Internal Audit Charter and Strategy for 2016/17 is approved

43. Internal Audit Plan and Fraud Plan 2016/17

The Audit Plan for 2016/17 is risk based and has been drawn up by combining the corporate assessment of risk with Internal Audit’s own assessment of risk (the Audit Universe) and knowledge of any emerging risks to produce a plan with sufficient coverage across the Council’s activities.

Discussions have been held with Directorate Management Teams and the Plan set out in Annex 1 is deliverable within the 800 days commissioned by the Shared
Service Board. It includes the complete Audit Plan for Achieving for Children – 285 days - split equally between Kingston and Richmond.

The Plan is flexible to accommodate changing audit needs during the year. Changes to the plan will be monitored by the Shared Service Board at the bi monthly performance meetings, any significant changes will be reported to the Strategic Leadership Team and this Committee.

Reflecting the linkage between the Corporate Risk Register and Audit Plan, work on the Care Act and Business Continuity is included. Whilst there are no specific Value for Money audits, elements of this will be a part of the audit of Agency Staff contracts.

The anti-fraud and investigations work plan set out in Annex 2 is based on 950 days, split between Kingston and Richmond. As discussed earlier - see minute 35 - the risk of fraud and its profile is increasing. Fraud work will be undertaken by the South West London Fraud Partnership under the shared service arrangement. The Shared Service has made a contingency budget provision so that additional work can be commissioned from the Fraud Partnership depending on risks identified, It is intended that the Head of Audit will sanction all reactive work. Provision is made in the plan for some fraud related work. This may be work involving system and control related issues suited to a more audit based approach or there may be sensitivities which make it appropriate to investigate at Head of Internal Audit level.

Time spent on different fraud areas and the outcomes will be included in next year’s annual report.

In response to points raised it was noted that some work on Blue Badge fraud is included in the current plans.

Resolved that the Internal Audit Plan 2016/17 (Annex 1) and Fraud Plan 2016/17 (Annex 2) are approved.

Signed………………………………………………………………………………..Date…………………….

Chair