

MINUTES OF THE AUDIT COMMITTEE
Wednesday, 25th June 2008 at 7.00 pm

PRESENT: Councillor Cummins (Chair) and Councillors Butt and H M Patel.

1. Declarations of Personal and Prejudicial Interests

None.

2. Minutes of the Previous Meeting

RESOLVED:-

that the minutes of the previous meeting held on 4th March 2008 be approved as an accurate record.

3. Audit Commission – Audit and Inspection Plan 2008/09

Before members was a report presenting the Audit Commission's Audit and Inspection Plan 2008/09. Andrea White (District Auditor, Audit Commission) and Shahida Nasim (Operational Manager, Audit Commission) attended as representatives of the Audit Commission to present the report.

Andrea White began by explaining that the Audit and Inspection Plan set out proposals for work to be carried out in the financial year 2008/09. It was noted that the plan also highlighted what the Commission perceived to be the current areas of risk from an audit point of view.

Members' attention was drawn to details relating to the Audit Commission's fee. Andrea White explained that the figure would be revisited throughout the audit process given experience in Brent.

The Chair referred to the Council's responsibilities with regard to being economical, efficient and effective and suggested that this would be a greater challenge in view of the increased audit fee. In response, Andrea White informed the Committee that there had been earlier proposals for a greater increase to the fee. This had been in view of the need to comply with international financial reporting standards and other changes to the way that auditors work. It was further explained that in consideration of feedback from London Boroughs and other authorities it had been decided that the basic fee should not be increased. However the fee had increased to reflect the added costs associated with a separate audit of the pension fund which would be a new requirement from 2008/09.

Following this Shahida Nasim discussed areas of risk that had been identified by the Audit Commission. She advised that this was an initial analysis and that more detailed information would be available after 18 months.

It was highlighted that the Council intended to operate a single ledger instead of three separate ledgers and it was suggested that there was some risk

around the transfer of information during this process. The Chair asked about the reasons for changing to a single ledger and noted that there would be added costs associated with implementing a single ledger. In response Duncan McLeod, Director of Finance and Corporate Resources, explained that it was not efficient to have three separate ledgers. He explained that there were risks involved with converting to a single ledger, however these would be minimised by careful planning. He also informed the Committee that the level of savings for the future would be greater than the investment needed to establish a single ledger. Shahida Nasim added that there could be also be future audit savings as it would be easier to audit one ledger instead of three.

Shahida Nasim also advised that Directors had identified an area of risk around tackling health inequalities. The Audit Committee were intending to review this issue. It was explained that one of the main ways this was to be addressed was through joint working between the Local Authority and the Primary Care Trust. In response to questions about the relationship between the two organisations, the Director of Finance and Corporate Resources explained that the majority of financial issues between them had been resolved. The Committee also heard that relations between Brent Council and the PCT were improved and they had many of the same strategic goals and shared objectives arising from the Local Area Agreement.

RESOLVED:-

That the Committee note the content of the report in its role as defined in the constitution: "To consider ... the strategic and annual audit plans, and consider the level of assurance these can give over the council's corporate governance arrangements."

4. Final Internal Audit Plan 2008/09

Simon Lane (Head of Audit & Investigations) presented this report that provided the Committee with a summary of the final Internal Audit Plan for 2008/09. He advised members that the Council's Audit & Investigations Team would be working in partnership with Deloitte Touche Public Sector Limited to provide about 1,200 days of internal audit. Members' attention was drawn to the outline showing the number of planned audit days allocated for each of the Council's Service Areas. Members noted that they had already had a broad outline of this plan at a previous meeting in March.

RESOLVED:-

That the Committee note the content of the report in its role as defined in the constitution: "To consider ... the strategic and annual audit plans, and consider the level of assurance these can give over the council's corporate governance arrangements."

5. Final Internal Audit Progress Report 2007/08

The report before Committee members summarised the work of Internal Audit for the period from January 2008 to March 2008. It also had results of audit work for the year. Simon Lane (Head of Audit & Investigations) presented the report and highlighted for members that there had been a 98% completion of the 2007/08 Internal Audit Plan. He explained that outstanding work would be carried over into 2008/09 comprising 30 days of work.

Simon Lane also drew members' attention to the fact that of the 48 Final Reports issued during 2007/08 there have been 20 'Substantial' assurance opinions and 28 'Limited' assurance opinions. Members noted the detailed summary of work undertaken with regard to these reports.

The Chair asked whether any assurances could be given with regard to the implementation of recommendations. Simon Lane explained that an action plan would be developed through negotiations with management. Consequently there would be a follow up on all reports with 'Substantial' and 'Limited' assurance opinions. Furthermore, it was noted that this follow up work had been built into the 2008/09 plan.

RESOLVED:-

That progress made in achieving the 2007/08 Internal Audit Plan be noted.

6. Internal Audit Annual Report 2007/08

Members considered this report which included an opinion on the overall adequacy and effectiveness of the Council's internal controls and a summary of the audit work undertaken during the year.

Simon Lane presented the report and highlighted some of the key issues for members. It was noted that the 2% shortfall in the delivery of the audit plan was due to primary schools not being ready for their FMSIS assessment prior to 31 March 2007. Simon Lane explained that the target was for all primary schools to have achieved this qualification in financial management standards by 2009/2010. The Council had intended for a third of schools to have obtained this in 2007/08. As this was not achieved a significant number of schools would be carried over to form part of the target for 2008/09. Simon Lane informed members that the objective was still have all primary schools accredited within the next two years.

Members also discussed the fraud caseload. Simon Lane highlighted that the majority of fraud cases related to Housing Benefit. With regard to fraud cases relating to Housing Tenancy, members noted that the Council had recovered 22 properties in 2007/08. Noting that fraudulent overpayments created as a result of investigation in 2007/08 amounted to £1,309,198, the Chair emphasised the importance of publicising exact figures relating to savings through fraud recovery, in the press. Simon Lane informed the Committee that there had been a recent press release to the Willesden & Brent Council showing the amount recovered through identifying Housing Benefit Fraud.

The Committee also noted that the Head of Audit and Investigations had met with the Heads of Investigation from Hammersmith & Fulham, and Ealing, to review the effectiveness of audit provision across the three boroughs.

During discussion, Andrea White expressed some concerns about the number of reports with substantial assurance opinions and suggested that there could be an underlying impact on figures and disclosures in the Annual Governance Report which would be looked at in the final audit.

RESOLVED:-

That the Committee note the report.

7. **Annual Governance Statement**

Simon Lane informed members that the report before them offered a broad statement and thus it gave an overview of the way in which the Council conducted its business. It also provided an opinion on the adequacy and effectiveness of the Council's internal controls. The Head of Audit and Investigations informed the Committee of the following three amendments to appendix 1 that had been previously distributed:

- Paragraph 3.9 the date stated in the final sentence should be changed from "2004 – 2006" to "2007 – 2010".
- Paragraph 3.59 the first "Quarterly" had been replaced by "Regular". The last sentence had also been removed.
- Paragraph 3.69 this was an additional paragraph that read as follows:

"LSP Partners are committed to using a common platform for performance monitoring and review. The Council is rolling out Performanceplus to the partners in the LSP."

Noting that the Annual Governance Statement, was despatched within three days of the meeting following the agenda. The Chair certified the item as urgent as:

"Under the Accounts and Audit Regulations, the General Purposes Committee is required to consider and approve the Statement of Accounts by 30th June. The Annual Governance Statement comprises part of the Statement of Accounts and has only recently been completed and it was not possible to send this report out with the original committee papers".

During a presentation of the report, Simon Lane drew members' attention to key features such as expectations around standards of behaviour, audit arrangements and plans for consultation with the public. The Head of Audit & Investigations also highlighted the significant governance issues. Referring to the Corporate Risk Register, he explained that work would have to be carried

out to show the link to the corporate strategy objectives. Simon Lane added that another significant issue related to the management of the Adult Social Care budget. Other emerging issues included the Council's major transformation agenda that incorporated the construction of a new civic centre.

RESOLVED:-

That the content of the Annual Governance Statement as amended be approved.

8. Any Other Business

The Chair thanked Matthew Mannion (Democratic Services) for his assistance and minutes during his time working with the Audit Committee noting he was moving on to another job at Lambeth Council.

9. Date of the Next Meeting

The next meeting was scheduled to take place on 24th September 2008 at 7.00 pm.

The meeting ended at 8.10 pm

M CUMMINS
Chair