

# Annual Governance Report

Brent London Borough Council

Audit 2007/08

Date

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

# Summary

## Purpose

- 1 This report summarises the findings from my 2007/08 audit. I have progressed the audit but there are a number of areas to finalise before I issue by audit opinion. In particular work on consolidation, income and expenditure, funds, balances and reserves, the cash flow statement and three service areas needs to be finalised. It identifies the key issues that you should consider before I issue my opinion and value for money conclusion. The audit for 2007/08 cannot be formally concluded and the certificate issued due to ongoing legal proceedings.
- 2 This report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

## Financial statements

- 3 Subject to the satisfactory conclusion of the work noted in paragraph 1, I expect to issue an unqualified opinion on the financial statements.
- 4 The Council's financial statements were approved by the General Purposes Committee on 26 June 2008. However the financial statements did not include the Pension Fund statements as required by Regulation 7(1) of the Accounts and Audit Regulations 2003. These were approved on 18 September by the General Purposes Committee.
- 5 The financial statements submitted for audit were complete and contained only minor errors.

## Value for Money

- 6 The Council had adequate arrangements in place for securing economy, efficiency and effectiveness during the course of the year. I therefore propose to issue an unqualified opinion on the value for money conclusion.

## Next steps

- 7 I ask the Audit Committee to:
  - consider the matters raised in the report and whether any issues identified need to be reported to Full Council;
  - approve the representation letter on behalf of the Council before I issue my opinion, conclusion and certificate; and
  - agree the proposed action plan.

# Financial statements and Annual Governance Statement

- 8 The Council's financial statements and Annual Governance Statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider my findings and report whether any issues need to be raised with the Council.
- 9 In planning my audit I identified specific risks and areas of judgement that I have focused on during my audit. I report to you the findings of my work in those areas.
- 10 In addition, auditing standards require us to report to you:
- the draft representation letter which I am asking the Director of Finance and Corporate Resources, to sign on behalf of the Council's Corporate Management Team, and you, on behalf of Members, to sign;
  - my views about the Council's accounting practices and financial reporting;
  - errors in the financial statements;
  - any expected modification to my report;
  - weaknesses in internal control; and
  - certain other matters.

## Key areas of judgement and audit risk

- 11 In planning my audit I identified key areas of judgement and audit risk that I have considered as part of my audit. My findings are set out in Table 1.

**Table 1 Key areas of judgement and audit risk**

Issue or risk	Finding
A new Internal Audit provider was appointed from 1 April 2007.	Triennial review of Internal Audit undertaken which concluded that reliance could be placed on the work of Internal Audit.
Accounting for local area agreements and local public service agreement funding.	Detailed testing was undertaken and no issues noted.
Has the Council complied with the significant changes to SORP in relation to the financial instruments on loans and borrowings? Issue for all Councils in 2007/08	I have reviewed the Council's treatment of financial instruments and how they impact on the disclosures of loans and borrowings reported in the balance sheet. My testing identified two errors; the investments

Issue or risk	Finding
	balance was understated by £3.5 million (the balance was included within creditors) and long term borrowing was understated by £6 million (the balance was included in creditors). The accounts have been amended for these errors.

### Draft representation letter

12 Before I issue my opinion, auditing standards require us to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- you have approved the financial statements;
- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
- you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
- you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

13 We need specific representations from you about the disclosures relating to:

- infrastructure assets, because the Council does not have an adequate asset register in place to record infrastructure assets and could not demonstrate that an impairment review has been undertaken;
- foundation schools, because the Council had not undertaken a review to establish whether these should be included on the balance sheet; and
- an impairment review of fixed assets disclosed in the balance sheet, that this review did not result in any assets being impaired.

14 Appendix 1 contains the draft of the letter of representation we seek from you.

### Accounting policies and financial reporting

15 As part of my audit work I consider the qualitative aspects of your financial reporting. Table 2 contains the issues I want to raise with you.

**Table 2     Accounting practice and financial reporting**

Issue or risk	Finding
Has the Council correctly accounted for foundations schools? Issue from the opinion audit	This work is in progress and therefore, as yet, I am unable to conclude my findings in this area.
Does the annual governance statement meet the requirements of the Corporate Governance Framework? Issue for all Councils in 2007/08	The Council has put arrangements in place to prepare a statement that complies with the new requirements. The statement is consistent with my knowledge of the Council.
Has the Council complied with the changes to Statement Of Recommended Practice (SORP) in relation to the creation of a revaluation reserve. Issue for all Council's in 2007/08	I have reviewed the Council's treatment of the revaluation reserve. I am satisfied in all material respects that it demonstrates compliance with the SORP.
Do the Council's accounting policies reflect its accounting practice? Issue from opinion audit.	I noted that the Council had reviewed and updated its accounting policy and accounting treatment for changes required by the SORP in relation to the introduction of new accounting standards. However the statement of accounting policies did not reflect this change in one instance.
Has the Council prepared good quality supporting papers to support its financial statements.	The audit trails to support the financial statements could be improved by preparing detailed listings to support the balances in the financial statements.

### Recommendation

- R1** Ensure that staff are aware of changes to requirements year on year and that these are incorporated into the closedown processes at an early stage.
- R2** Undertake a post implementation review of the accounts closedown, jointly with the audit team, to take forward the learning into next years accounts closedown and audit processes.

### Errors in the financial statements

- 16** I identified errors in the financial statements (other than those of a trivial nature) and reported these to management. Aside from the errors mentioned elsewhere my audit identified two errors:
- the incorrect inclusion of £10 million in the fixed asset balance for a PFI leisure centre; and
  - the incorrect classification of long term investments in the short term balances line.

### The audit report

- 17** Subject to the satisfactory conclusion of my work on foundation schools, I plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 2 contains an example of an unmodified opinion for information.

### Material weaknesses in internal control

- 18** I have identified weaknesses in the design or operation of internal controls that might result in a material error in your financial statements which has not been reported to you. Alternatively, these weaknesses are symptomatic of broader weaknesses in your control environment. These weaknesses are set out in Table 3.

**Table 3 Weaknesses in internal control**

Issue or risk	Finding
A detailed listing of infrastructure assets is maintained by the Council. However the listing does not include values of the assets held. We are unable to reconcile the asset listing to the fixed asset register.	The Council has been unable to reconcile the infrastructure asset listing to the fixed asset register. New financial reporting requirements may require the Council to keep detailed records.
Foundation schools are included in the balance sheet. There is a risk that these	The Council had not undertaken a periodic review of the accounting treatment of

Issue or risk	Finding
assets should not be included in the balance sheet under financial reporting standard 5.	<p>foundation schools against financial reporting standard 5. This has now been undertaken and work is in progress in this area.</p> <p>We will report the outcome of our work to the Director of Finance and Corporate Resources and where, appropriate, to the Audit Committee upon its conclusion.</p>
<p>The Council implemented a new payroll system during the course of the year. The Council experienced difficulties in undertaking reconciliations on the payroll system to the general ledger.</p> <p>Issue from opinion audit</p>	Regular reconciliations were not undertaken since the introduction of the new payroll system.

Recommendation
<b>R3</b> Introduce a fixed asset register for infrastructure assets that records assets in sufficient detail.
<b>R4</b> Ensure regular reconciliations between the general ledger and the payroll system.

**19** I have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. I have reported only those matters which have come to my attention because of the audit procedures I have performed.

**Other matters**

**20** There are no other matters that auditing standards require me to report to you.

# Value for money

- 21 I am required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. I assess your arrangements against twelve criteria specified by the Commission. My conclusion is informed by my work on Use of Resources, a scored judgement reported to the Audit Commission.
- 22 I have assessed that the Council has proper arrangements in place in all twelve areas and I therefore propose to issue an unqualified conclusion.

**Table 4 Value for money conclusion: criteria where assessed as not adequate**

No	Criteria	Met y/n?
1	The Council has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives	Yes
2	The Council has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Yes
3	The Council has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Yes
4	The Council has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Yes
5	The Council has put in place arrangements to maintain a sound system of internal control.	Yes
6	The Council has put in place arrangements to manage its significant business risks.	Yes
7	The Council has put in place arrangements to manage and improve value for money.	Yes
8	The Council has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Yes
9	The Council has put in place arrangements to ensure that its spending matches its available resources.	Yes
10	The Council has put in place arrangements for managing	Yes

No	Criteria	Met y/n?
	performance against budgets.	
11	The Council has put arrangements in place for the management of its asset base	Yes
12	The Council has put arrangements in place designed to promote and ensure probity and propriety in the conduct of its business.	Yes

- 23** I identified the following weaknesses in arrangements for securing value for money.
- 24** The Council entered into arrangements for the provision of insurance services through participation in London Authorities Mutual Limited (LAML). The decision to participate in LAML was undertaken to achieve cost savings. The Council had obtained legal advice prior to entering into the arrangement. This decision was challenged and legal proceedings were undertaken.
- 25** In April and May 2008 two High Court judgements were made against the Council. The judgements relate to:
- S111 of the Local Government Act 1972 did not provide a source of vires for the Council to participate in the London Authorities Mutual Limited; and
  - Public procurement processes under Public Contracts Regulations 2006 had been breached.
- 26** The Council is currently appealing the decision. Following completion of due legal process, the Council should review its legality arrangements in light of these judgements to implement any actions needed to strengthen its arrangements.
- 27** A review of the Council's performance management system identified that the Council had made progress in implementing previous recommendations in this area. In particular the Council has:
- developed a Members induction and training programme, including a section in the Members handbook on representing and promoting the interests of Brent in national and local partnerships;
  - offered support to officers through courses such as Council's 'Maximising Performance Management' course;
  - plans to create a new induction and development process for the Voluntary and Community Sector Local Strategic Partnership; and
  - following a review of the constitution, confirmed the arrangements for scrutiny and audit of partnerships and informed partners affected by the changes of them.
- 28** An area where further work is required is in establishing a performance management framework for all partnerships. The partnership performance management group is tasked with developing this framework. The framework should address issues such as accountability, data collection and data quality issues. We have an agreed action plan

**Recommendation**

**R5** Assess arrangements to comply with laws and regulations in light of the final court judgements in respect of participation in LAML.

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# Formal audit powers

29 I have:

- a power to issue a public interest report. I do so where I believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
  - making a decision that might give rise to unlawful expenditure; or
  - taking an unlawful course of action that would give rise to a loss; or
  - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

30 Due to outstanding legal proceedings I cannot formally conclude the audit and issue my certificate. I will consider whether to exercise my formal audit powers upon conclusion of my audit.

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# Independence

**31** The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.

**32** I confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.

**33** I communicate to you:

- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
- total fees charged to you for audit and non-audit services; and
- our arrangements to ensure independence and objectivity.

## Relationships with the Council

**34** I have identified no relationships that might affect objectivity and independence.

## Audit fees

**35** I reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

**Table 5      Audit fees**

	<b>Plan 2007/08</b>	<b>Actual 2007/08</b>
Financial statements and Annual Governance Statement	£305,500	£320,500
Value for Money	£124,500	£124,500
National Fraud Initiative	£1,300	£1,300
<b>Total Audit Fees</b>	<b>£431,300</b>	<b>£446,300</b>
Other work	nil	nil
Inspection	£26,600	£26,600

**36** My planned fee was based on a number of assumptions, including verification of figures from the general ledger to produce the accounts by Internal Audit. However this work was not undertaken by Internal Audit. The fee increase of £15,000 reflects the additional time required to complete this work.

### Our arrangements to ensure independence and objectivity

37 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 8.

**Table 6 Arrangements to ensure independence and objectivity**

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> <li>• do not hold a financial interest in any of our audit clients;</li> <li>• may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and</li> <li>• may not enter into business relationships with UK audit clients or their affiliates.</li> </ul> <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> <li>• the general requirement to carry out work independently and objectively;</li> <li>• safeguarding against potential conflicts of interest;</li> <li>• acceptance of additional (non-audit) work;</li> <li>• rotation of key staff;</li> <li>• other links with audited bodies;</li> <li>• secondments;</li> <li>• membership of audited bodies;</li> <li>• employment by audited bodies;</li> <li>• political activity; and</li> <li>• gifts and hospitality.</li> </ul>
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

# Appendix 1 – letter of representation

To:

Andrea White

1st Floor, Millbank Tower

Millbank, London,

## London Borough of Brent - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors, officers, and members of London Borough of Brent, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31st March 2008. All representations cover the Council's accounts, Group Accounts and Pension Fund accounts included within the financial statements.

## Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the council and for making accurate representations to you.

## Specific representations

I confirm the completeness and disclosures of infrastructure assets. All balances and transactions relating to infrastructure assets have been properly recorded and adequately disclosed in the financial statements.

I am satisfied that foundation school assets should be included in the Council's balance sheet as the risks and benefits of ownership lie with the Council.

I confirm that Brent London Borough Council has undertaken an impairment review of fixed assets disclosed in the balance sheet. This review did not identify any assets which should be impaired as at the balance sheet date.

## Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

## Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

## Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

## Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

## Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

## Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

## Appendix 1 – letter of representation

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties other than those already disclosed in the financial statements.

### Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

### Post balance sheet events

Since the date of approval of the financial statements by Council, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

Brent London Borough Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### Signed on behalf of Brent London Borough Council

I confirm that the this letter has been discussed and agreed by the Council on [date]

Signed

Name Gareth Daniel

Position Chief Executive

Date

Signed

Name Duncan McLeod

Position Director of Finance

Date

Signed

Name

Position Chairman of the Audit Committee

Date

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# Appendix 2 – Proposed Auditor's report

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## Independent auditor's report to the Members of the Brent London Borough Council

### Opinion on the accounting statements

**38** I have audited the Authority and Group accounting statements, pension fund accounts and related notes of the Brent London Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Collection Fund<sup>1</sup> and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority and Group accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Brent London Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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<sup>1</sup> The description of the accounting statements should only include those relevant to the local Authority's circumstances.

## Appendix 2 – Proposed Auditor's report

- the financial position of the Authority and its income and expenditure for the year;
- the financial position of the Group and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority and Group accounting statements, pension fund accounts and related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements, pension fund accounts and related notes. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements, pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements, pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements, pension fund accounts and related notes.

### Opinion

In my opinion:

- the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended;
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Group as at 31 March 2008 and its income and expenditure for the year then ended; and
- the pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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### Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the Brent London Borough Council made proper

## Appendix 2 – Proposed Auditor's report

arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 17 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

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### Certificate

I have carried out the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. However, the audit cannot be formally concluded, and an audit certificate issued, until pending legal proceedings have been concluded.

Andrea White  
District Auditor  
Audit Commission  
First Floor, Millbank Tower  
Millbank,  
London  
SW1P 4HQ

# Appendix 3 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Ensure that staff are aware of changes to requirements year on year and that these are incorporated into the closedown processes at an early stage.	2	Deputy Director of Finance and Corporate Resources	Agreed	Staff are made aware of changes through the 'Closing Your Accounts' guidance manual and training sessions for staff involved in closing the accounts. The issue that arose in 2007/08 was in relation to treatment of financial instruments where national guidance on changes to requirements was provided to the Council late. We will review our notification, training and checking procedures to seek to ensure that any such late guidance is as far as possible properly addressed within the accounts in future years.	March 2009
7	R2 Undertake a post implementation review of the accounts closedown, jointly with the audit team, to take forward the learning into next year's accounts closedown and audit processes.	1	Head of Financial Management	Agreed	A review of the closedown process is undertaken each year. The appointment of new auditors has inevitably meant that there has been learning for both the Council and the auditors and it will therefore be important that auditors are involved in the post-implementation review. Learning from this review process will be reflected in next year's 'Closing Your Accounts' guidance and in training of staff involved in the closing of accounts process.	December 2008

## Appendix 3 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R3 Introduce a fixed asset register for infrastructure assets that records assets in sufficient detail.	3	Head of Financial Management	Agreed	We will need to determine the level of detail required to meet this requirement. Current accounting requirements are that infrastructure assets are accounted for on the basis of spending incurred on them in previous years, written out over a number of years and this is then broken down between different types of infrastructure assets such as roads. The Council does not have the historical information which would allow it to break this down to individual named road nor do we believe that this would serve a useful purpose. We therefore intend to identify authorities who currently break down assets further than we do and use this as the basis for revising our own approach. Any changes will be discussed with the auditors in advance to ensure a balanced approach.	March 2009
8	R4 Ensure that regular reconciliations between the general ledger and the payroll system.	3	Head of People Centre	Agreed	This is an issue that officers have recognised is a major concern and a lot of work has been carried out with the payroll system suppliers, Logica, to ensure that the data necessary to carry out regular reconciliations are available. The issues have now been addressed and monthly reconciliations between individual ledgers and the payroll system are being carried out.	Completed
11	R5 Assess arrangements to comply with laws and regulations in light of final court judgements against the Council.	2	Borough Solicitor	Agreed	The Council has very strong processes for ensuring legality of its activities including proactive work by legal services, including training sessions and the production of regular legal	After date of judgement

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					<p>briefings, advice on all major projects and procurements, and extensive legal involvement in the production of reports for the Executive which give rise to decisions. Where necessary external legal advice and Counsel's advice is sought. In the particular instance of the LAML judgement, the High Court found against the Council despite the LAML itself receiving Counsel's advice and the Council itself obtaining its own Counsel's advice. In this case, the legal judgement was not as a result of the arrangements in place but because of differing views of the legality of what the Council was doing. The Borough Solicitor has produced a report on what lessons can be learned from this case (which is subject to appeal) but is satisfied that the arrangements which the Council has for identifying legal issues and providing advice are robust and that no changes are necessary. The Council will however review its arrangements again once judgement on the appeals is delivered to capture any recommendations arising therefrom.</p>	