

MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Wednesday, 24th September 2008 at 7.00pm

PRESENT: Councillor Cummins (Chair) and Councillor Butt.

Apologies for absence were received from Councillor HM Patel.

1. Declarations of Personal and Prejudicial Interests

None.

2. Deputations (if any)

None.

3. Minutes of the Previous Meeting

RESOLVED:-

that the minutes of the previous meeting held on Wednesday, 25th June 2008 be approved as an accurate record of that meeting.

4. Statement of Accounts 2007/08: International Standard on Auditing – (ISA) 260

Members received a report from Duncan McLeod (Director of Finance and Corporate Resources) and from the Audit Commission, regarding the statement of accounts for the year 2007/08 and the International Standard on Auditing.

Duncan McLeod advised that the Annual Governance Report had been sent out as a supplementary despatch on the previous Friday. He described the reason for its urgency and lateness: the audit work was still ongoing when the agenda for this meeting was sent out, and he had considered that it would be preferable for Members to have the most up-to-date version of the report before the meeting. He further explained that the recommendations in the report had been amended to reflect the terms of the audit standard.

Andrea White (District Auditor, Audit Commission) and Shahida Nasim (Operational Manager, Audit Commission) attended to discuss the report. Andrea White began by explaining that the audit process was virtually complete, but she added that it had taken longer than had been originally anticipated, partly due to the fact that Brent Council's finance systems were

complex and highly devolved. However, she also advised that she had found Council staff to be extremely helpful and that their assistance had helped her greatly in her work. Overall, she had found the accounts to be of reasonable quality, with no material errors. She added that Brent Council was providing value for money in the use of resources. Andrea White advised that she hoped to issue an unqualified audit opinion by the due date of 30th September, although this was dependent on there being no major issues arising in the interim. However, the certificate to formally close the audit would not be issued until an ongoing legal case was resolved. It was stressed that this was not an unusual occurrence. Andrea White then invited questions from the Committee.

Councillor Butt requested clarification about the difference between the old-style and new-style reports. Andrea White advised that the change simply reflected a change in the standards. Councillor Butt then asked about some errors which had been identified in the accounts, and in response, Shahida Nasim explained that the errors were bookkeeping mistakes, as opposed to being evidence of malpractice.

RESOLVED:-

- (i) that there were no issues to be reported to Full Council, having considered the matters raised in the report;
- (ii) that approval be given to the representation letter on behalf of the Council before the Auditor issued her opinion; and
- (iii) that approval be given to the proposed action plan, with officers to report back to the next meeting on the progress of its implementation.

(Andrea White and Shahida Nasim left the meeting at this point.)

5. First Internal Audit Progress Report 2008/09

Simon Lane (Head of Audit and Investigations) introduced a report before the Committee which summarised the work of the Internal Audit between 1st April and 31st August 2008. He explained that the Internal Audit Plan consisted of 1,230 days, of which 351 had been delivered. He reported that the process was not on course to deliver 50 per cent by the end of the second quarter, but a large proportion of the remaining work had been booked in for the third and fourth quarters. Simon Lane reported that the feedback from auditees had

mostly been positive. Substantial assurances had been gained in the areas of home improvement grants, payroll and gas servicing.

The audit report concerning Waste Charges identified high charges and the extent to which these charges were monitored by the Council. The assessment process had involved comparing the system of waste management of another borough with that of Brent. Phil Lawson (Internal Audit Manager, Deloitte and Touche) advised that the other borough was chosen, as like Brent, it was a member of the West London Waste Authority. He added that the purpose of the comparison was to gain information about the effectiveness of the systems used in the two boroughs, rather than to undertake any detailed comparison of tonnages, for example.

Assessment of Brent schools had given positive results. Some schools had been given conditional passes, which would be upgraded to full passes, if the schools implemented the recommended changes within 20 days. In answer to a question as to whether the audit process was on schedule to assess all of Brent's schools, Phil Lawson reported that 18 schools had been assessed; assessment of a further 40 schools would be completed before the end of the year 2008/09.

RESOLVED:-

that the progress made towards achieving the 2008/09 Internal Audit Plan be noted.

6. Use of Directed Surveillance

Simon Lane (Head of Audit and Investigations) introduced a report on the Council's use of targeted surveillance to monitor the activities of individuals who committed offences against the Council. He explained that there had been some considerable misreporting in the press of the use of such surveillance by local authorities, and advised that the report before the Committee explained how and why surveillance was used within the Council.

He went on to explain that the use of surveillance could only be approved by certain designated officers in the Council, and it could only be used for a maximum of three months. Duncan McLeod (Director of Finance and Corporate Resources) then advised that the officer authorising the use of surveillance could only give his/her approval once he/she had examined a range of arguments for its use. Simon Lane then advised that, since 2000, the Council had been visited three times by the Office of the Surveillance

Commissioner, and the Council had received a positive inspectors' report each time.

Simon Lane went on to say that, when monitoring telephone calls, the Council was able to obtain information about the duration, location and number of calls that a subscriber made, but not information about the content of the calls. Local authorities could use this information to prove that there was a link between two people, for example.

Simon Lane explained the following terms: directed surveillance, which was covert monitoring of an individual in public; and covert human intelligence sources (CHIS), which are people employed by the Council or third party informants who provide information about the subject of an investigation. In response to a question as to whether the use of surveillance had been worthwhile, Simon Lane gave details of cases that had resulted in success for the Council, which included offences such as the subletting of Council properties, the theft of disabled parking badges from cars, and trading standards offences.

There followed a discussion about a recommendation contained in the report which asked the Committee to approve the continued use of surveillance as an accepted method of investigation. It was noted that, contrary to indications in the recommendations contained in the report, it was not within the Committee's remit to approve the continued use of surveillance across the whole Council.

RESOLVED:-

that the Audit Committee note the content of the report and the Council's continued use of surveillance.

7. Review of the Audit Committee

The Director of Finance and Corporate Resources introduced a report into a review of the Audit Committee and thanked Dan Bonifant (Legal Adviser) for his assistance with its compilation. He then explained that the Constitutional Working Group (CWG) had set up the Audit Committee in November 2006, and that this report was the first step in undertaking a review of it. This review had always been envisaged by the CWG. It was planned that any recommendations for change would be brought to the meeting of the Council in May 2009 which would be considering the overall Council constitution.

Duncan McLeod then advised that, at the time of the Audit Committee's inception, the CWG had recommended to Council that it should consist of three members, with no independent members. He went on to say that it was not easy to recruit members for the Committee, as the matters that it discussed were often of a rather specialist nature. Training courses had been run for members and Duncan McLeod suggested that the courses could be repeated in the future. He added that some councils had independent members on their Audit Committees, and in some cases, independent members chaired the Audit Committees. Independent members co-opted in this way would not have voting rights, but if they were from a financial background, they could offer useful advice and information to Members.

Lastly, Duncan McLeod asked for members' opinions on the idea of an amalgamated Audit and Standards Committee. He added that, as the Standards Committee and the Audit Committee dealt with two different areas, the skills required by members of the two committees were likely to be different. The Chair expressed agreement with this view.

Councillor Butt expressed the view that it would be useful to run the training courses for members again. The Chair pointed out that, after the next local elections, some existing councillors might be replaced by new, inexperienced councillors. This could mean that the Audit Committee would consist of new members, possibly lacking the necessary experience and skills. Dan Bonifant noted that co-opted independent members could bring not only useful skills to the Audit Committee but also their time on the Committee could begin before and continue after local elections, ensuring a degree of continuity during which time some councillors were replaced. Duncan McLeod used the example of the Pensions Fund Committee which had long-standing non-voting independent members.

Duncan McLeod then suggested that the report reviewing the Audit Committee be circulated among the Leaders of the three political Groups for their comments. The Chair expressed the view that the report should perhaps have gone to the Group Leaders before being considered by the Audit Committee.

RESOLVED:-

that the content of the report be noted.

8. **Any Other Urgent Business**

None.

9. **Date of the Next Meeting**

The Chair confirmed that the date of the next meeting is scheduled for **Wednesday, 17th December 2008 at 7.00pm.**

The meeting ended at 8.17pm.

M CUMMINS
Chair