



# LONDON BOROUGH OF BRENT

## MINUTES OF THE AUDIT COMMITTEE Tuesday, 15 June 2010 at 7.30 pm

PRESENT: Councillor Al-Ebadi (Chair) and Councillors Ashraf and Van Kalwala

Apologies were received from: Councillors Cummins

### 1. **Declarations of personal and prejudicial interests**

None

### 2. **Deputations**

None

### 3. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 3 March 2010 be approved as an accurate record of the meeting.

### 4. **Audit Commission documents**

Duncan McLeod (Director of Finance and Corporate Resources) referred to the three documents produced by the Audit Commission namely the progress report for June 2010, the Performance Management Review for 2008 and the Annual Audit Fee letter for 2010/11 and introduced Audit Commission representatives to the meeting.

Andrea White (Audit Commission) summarised the role of the Commission as an independent body monitoring effectiveness and efficiency in local government. She referred to the Code of Practice which would come before members regularly for review and their responsibilities for the council's accounts which were open for public inspection. She offered to give members a more detailed presentation in the future.

On the progress report, Ms White advised that the report set out progress on the Audit Plan in comparison with the position for 2009/10. She referred to the impact of central government's recent announcement to abolish CAA (Comprehensive Area Assessment) and plans to bring an end to work in this area. Paul Viljoen (Audit Commission) referred to the performance management report which outlined work currently being planned or undertaken by the Audit Commission in particular the

health inequalities review the outcome of which would be reported by end of June 2010. He also made reference to the indicative annual audit fee for 2010/11 which was a 6% increase on the previous year mainly due to increased work due to the need for International Reporting Standards compliance. Regarding the Audit Letter, Paul Viljoen highlighted perceived risks to the audit which currently included the Improvement and Efficiency programme which needed to be robust, funding for the Building Schools for the Future programme, the impact of an economic downturn and the move to International Reporting Standards which added to the workload of all local authorities. Finally, Paul Viljoen referred to the key objectives arising from the 2008 review in particular progress being made in responding to the staff survey, the need to support housing staff in their use of the current performance management IT system and the development of a register to map the reporting and delegation arrangements for partnerships so that the council could have access to up-to-date information. This was now in place. Members noted that the review was considered to be very positive.

RESOLVED:

that the report be noted.

#### 5. **The National Fraud Initiative**

The report from the Director of Finance and Corporate Resources provided details of the Audit Commission's National Fraud Initiative and summarised the council's work in relation to the 2008/09 exercise. Simon Lane (Head of Audit and Investigations) explained the role of his unit in assisting managers to ensure proper controls were in place to protect the council's interests, based on agreed priorities. The National Fraud Initiative was a data matching exercise which revealed anomalies which could be indicative of fraud. Of the matches prioritised for review, 82 were investigated resulting in 21 findings of fraud. Simon Lane clarified that in fact overpayments due to fraud and error of £150,000 (not £115,000) had been identified from matches investigated and that success had been achieved in relation to the Single Person Discount to Electoral Register match. Simon Lane confirmed that the council was carrying out all eight of the Audit Commission's recommendations. This discussion would be contributing to the requirement to engage with members.

In response to members' questions, Simon Lane advised that where evidence of past fraud had come to light, investigations would be carried out and efforts made to recover funds. Efforts would also be made to get data as soon as possible so that matching could be carried out. Investigations were instigated taking into account Audit Commission priorities and also taking into account local experience. Other council departments assisted in the investigations under Special Investigation Unit supervision and the Audit Commission recognised that local authorities did not have sufficient resources to deal with all cases.

RESOLVED:-

that the report be noted.

#### 6. **Order of business**

The committee agreed to change the order of business for consideration.

## **7. Final Internal Audit Progress Report 2009/10**

Simon Lane (Head of Audit and Investigations) introduced the report which summarised the work of the Internal Audit for 2009/10 and provided an update on progress since the last report to members. He advised that 95% of the Internal Audit Plan for 2009/10 had been delivered by the council's Internal Auditors (Deloitte) and the in-house team. Of the new audits being reported as final, the three key ones, (Council Tax, NNDR and Payroll) all had substantial opinions. Simon Lane then addressed audits that had limited assurances ie had weaknesses in their internal control systems and which were a high priority for attention. On schools' financial management all were now required by central government to reach a minimum standard under FMSiS (Financial Management Standard in Schools). The Audit Team would be carrying out assessments to establish which passed and which had failed to meet the required standard.

Members raised questions on the audit that would have been carried out for Copland School whose financial management had recently been the subject of investigation. Simon Lane advised that the school had passed the last FMSiS conducted three years previously, by an approved firm of accountants. In view of recent investigation, future audits would be carried out by the council and Deloitte and a more robust interpretation of regulations was anticipated. He emphasised however that the FMSiS assessment not an audit but a separate requirement under guidance issued by the Department of Schools and Families. Any problems could be raised with the school or with the Department and the Director confirmed that a letter has already been sent to the Department. Copland would be prioritised for a full audit. Finally, members heard that the customer satisfaction ratings of the work carried out by Deloitte were generally high.

RESOLVED:

that the progress made in achieving the 2009/10 Internal Audit Plan be noted.

## **8. Internal Audit Annual Report 2009/10**

Simon Lane (Head of Audit and Investigations) introduced his annual report which included an opinion on the overall adequacy and effectiveness of the Council's internal controls and presented a summary of the audit work undertaken during the year. He indicated that the audit was generally satisfactory and the key financial systems audited in 2009/10, namely Council Tax, NNDR and Payroll all attained substantial assurance. There were fewer audits with limited assurance and these did not involve major financial systems. Furthermore, the percentage with substantial assurances was increasing. Simon Lane made reference to the number of schools that had been visited by the Audit Team for assessment against a financial management standard in accordance with government requirements and also drew members' attention to the fraud case load. Of 330 cases investigated, 154 had been proven relating to housing benefit and tenancies.

In response to members' concerns over the number of complaints, Simon Lane advised that the situation was improving and that his Team's concern was the adequacy of control systems, the speed with which they were dealt with and not

escalated and also the organisation's ability to learn from mistakes. Phil Lawson (internal audit, Deloitte) confirmed that there were concerns over the extent to which deadlines for following up complaints were being kept and would report back. Members noted that the full report on complaints would be submitted to the Executive to which recommendations could be made.

RESOLVED:

that the report be noted.

## 9. **Annual Governance Statement**

The report from the Director of Finance and Corporate Resources set out the proposed Annual Governance Statement for inclusion in the council's accounts for 2009/10 as required by the Accounts and Audit Regulations 2003 (as amended). The statement showed how the council had complied with its local Code of Corporate Governance and where relevant, actions necessary to address weaknesses, which it was noted were few. The Head of Audit and Investigations stated that the evidence indicated that the council had systems in place to deliver good governance and he set out for members how review and monitoring would take place. Members heard that key issues for next year would be the One Council transformation programme, schools expansion under the Building Schools for the Future programme, recovering Icelandic Bank loans and departmental budgets in particular adult and social care. It was now for members to agree the accuracy of the report so it could be signed off by the Leader of the Council and the Chief Executive.

On the Building Schools for the Future programme, the Director of Finance and Corporate Resources stated that following the outcome of the recent parliamentary elections, indications were that the programme was under review and could be either reduced or halted. The LEA had entered the programme under Wave 7 at the beginning of the year and to date, no funding had been received. Four schools were due to be built and building works were not due to start until 2011.

The committee approved the governance statement.

RESOLVED:

that approval be given to the content of the Annual Governance Statement as set out in Appendix 1 to the report from the Director of Finance and Corporate Resources.

## 10. **Audit Committee potential training requirements**

The Director of Finance and Corporate Resources started the discussion on areas in which members may wish to receive training. It was agreed that a session from the council's internal auditors Deloitte on the work of the committee and how it related to scrutiny and responsibility for the audit of accounts would be useful, also on treasury management. Members also expressed interest in a short session where they could see background audit work being carried out by staff. The Head of Audit and Investigations agreed to liaise with parties concerned.

11. **Date of next meeting**

It was noted that the next meeting was due to take place on 29 September 2010.

The meeting closed at 9.00 pm

E AL-EBADI  
Chair