



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Thursday, 16 December 2010 at 7.30 pm

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

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 29 September 2010 be approved as an accurate record of the meeting.

4. **Matters arising**

The Director of Finance and Corporate Services agreed to look into progress on the briefing note on adult social care and housing concerns raised at the previous meeting.

5. **Annual Audit Letter 2009/10**

Members had before them a revised report from the Director of Finance and Corporate Services appended to which were a revised version of the Audit Commission's Annual Audit letter, dated 7 December, and also progress report from the Audit Commission, circulated after the publication of the original agenda.

Andrea White (Audit Commission) in introducing the Audit Letter, reminded members that the issues summarised in the Audit Letter had been reported previously, asked that members now look to the future and drew attention to the key messages outlined in the report. The committee noted that an unqualified opinion had been issued on the council's financial statements with one material and one minor error. An unqualified opinion had also been issued on the Pension Fund's financial statements. On foundation schools, attention was drawn to recommendations to improve the council's risk management, internal control and performance management with particular reference to problems at Copland Community School. For this, and other cases where additional audit work had had

to be carried out additional audit fees had been levied. On current and future challenges, Ms White considered that the council was well placed to deliver savings and improve efficiency through the One Council programme. A high level review had been conducted and robust arrangements were in place with expertise brought in where thought necessary. However, she advised the council to bear in mind the need to retain capacity to deliver quality services. Ms White referred to the government's decision to cancel the Building Schools for the Future programme and the resultant loss of capital investment in the borough's schools pointing out that the council would now have to consider how it would deal with the current pressure on school places. Finally, Ms White made reference to the challenge for all local authorities to implement the International Financial Reporting Standard in 2010/11 and was pleased to report that the council was making good progress. It would however need to maintain focus to ensure timely implementation.

On her specific recommendations, Ms White highlighted the need to improve year end financial reporting, strengthen risk management and control and performance arrangements in respect of foundation schools, embed good procurement practice and risk management arrangements. The committee were pleased to hear that the 2007/08 and 2008/09 audits were closed in September 2010, together with the 2009/10 audit, outstanding issues relating to the council's involvement in London Authorities Mutual Limited and Copland Community School having been resolved.

In discussion, members noted the intention to introduce an earlier audit review, moving eventually to monthly mini close-downs in line with good practice. In response to a question on the potential future risks, Andrea White stated that staff reductions, both front and back office, could affect services. Also internal controls and performance management would need to be monitored to ensure the council continued to perform at its chosen level. Any risks associated with changes need to be clearly established. Clive Heaphy (Director of Finance and Corporate Services) advised that members would have the opportunity to consider a report reviewing the risk framework. On the health inequalities review and the involvement of the voluntary sector, Ms White contributed that the council would be better placed to increase outcomes with good working arrangements with partners such as the voluntary sector. This has been fed back to key stakeholders. A report would be submitted in due course on the implications of the transfer of responsibility for public health with associated funding. Members raised questions on progress being made to maximise cost savings through procurement. The Director responded that new expertise had been brought in to review contracts and was expected to make significant contributions to the council's improvement and efficiency programme. The Procurement Board met on a regular basis and collaborative work was continuing with the West London Alliance. Members agreed that the current number of supplies in the region of 12,000 needed to be reduced.

The Director summarised the current and future challenges, in particular the savings target of approximately £90m to £95m over four years, the financial settlement and the need to ensure the organisation stays on track while achieving savings. He hoped monies would be forthcoming to make up for the loss of BSF funding however the council would ensure that there were sufficient school places. Basic Need Safety Valve funding would be spent.

The committee thanked Andrea White for her contribution.

Paul Viljoen (Audit Commission) introduced the progress report and made reference to the latest briefing paper on implementing International Financial Reporting Standards (IFRS) issued in October 2010, a new clarified framework that would apply the audit of the 2010/11 accounts and would introduce changes covering related party transactions, accounting estimates, group accounts and reporting deficiencies in internal controls. Discussions would be taking place with the Director of Finance and Corporate Services.

The committee discussed the reasons for the new arrangements and heard the Director's view that the International Financial Reporting Standard, once in place, would assist their implementation.

RESOLVED:

- (i) that the Annual Audit Letter and the council's response be noted.
- (ii) that the Audit Commission's progress report be noted.

6. 2010/11 mid year Treasury Management report

The Director of Finance and Corporate Services introduced the report that detailed treasury management activity for 2010/11. He referred to the economic forecasts for the year which he felt had been relative accurate. On the return of funds deposited with Icelandic banks, the committee heard that the legal case was still going through the courts in Reykjavik. The Director reported that Public Works Loan Board (PWLB), from which the council had borrowed a further £20m for ten years, had increased its interest rates. It was noted that in October 2010 the council had replaced a £50m PWLB debt with a short term borrowed debt to bring about significant savings to the General Fund in 2010/11 and 2011/12.

The committee noted that the new Civic Centre would require major capital expenditure and that it was the intention to borrow mostly on a fixed rate basis.

RESOLVED:

that the report be noted.

7. Second Internal Audit progress report 2010/11

The committee received a report from the Director of Finance and Corporate Services which summarised out the work of Internal Audit for the period from 1 April 2010 to 30 November 2010. Simon Lane (Head of Internal Audit) drew attention to the progress of the audits conducted and the associated assurance ratings. He drew attention to the limited assurance for Kilburn Square TMO within Brent Housing Partnership, and also for Copland School following a repeat audit. It was noted that management responses to draft reports were awaited on a number of audits.

Members referred to the recent announcement by the Secretary of State for Education to end the current FMSiS (Financial Management Standard in Schools) with immediate effect and develop to a simpler standard as a replacement and raised questions on the likely impact. Simon Lane responded that some of the

standards within FMSiS would continue to be tested as part of the audit process. The committee noted the central government's intention to encourage schools to become academies outside of local authority control and the likely impact on the Dedicated Schools Grant and Pupil Premium.

RESOLVED:

that the progress made in achieving the 2010/11 Internal Audit Plan be noted.

8. Regulation of Investigatory Powers Act 2000 - review of the use of surveillance and CHIS

The report from the Director of Finance and Corporate Services advised of the use of covert intelligence and covert human intelligence sources (CHIS) for 2009/10 for the period April 2009 to November 2010. Simon Lane (Head of Audit and Investigations) advised that a review of RIPA legislation had resulted in new codes of practice which came into force in April 2010. Members were now required to provide oversight of the use of surveillance. Since the introduction of the act local authorities have been required to follow certain procedures and to give consideration prior to surveillance being authorised. Simon Lane drew attention to the summary of the operations carried out since 2003.

The committee noted that it was possible for an element of money obtained from confiscation orders to be given to the council. A report with a more detailed breakdown of cases would be submitted in the future.

RESOLVED:

that the report be noted.

9. Any other urgent business

The committee noted that progress report on Copland School would be presented in due course.

The Chair brought to members' attention the intention to appoint an independent chair for the Audit Committee to work with and support members. An advertisement for the position would be placed.

The meeting closed at 8.40 pm

E AL-EBADI
Chair