



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Wednesday 8 January 2014 at 7.00 pm

PRESENT: Mr Ewart (Chair) and Councillors Al-Ebadi, Cummins and Hector (alternate for Councillor Van Kalwala).

Also present: Councillor Chohan.

Apologies for absence were received from: Councillor Van Kalwala.

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

None.

2. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 25 September 2013 be approved as an accurate record of the meeting.

3. **Matters arising**

None.

4. **Deputations**

None.

5. **External Audit progress report**

The Committee received a report from KPMG, the Council's external auditors which set out a summary of work performed since the last meeting and work proposed to be carried out over the next quarter.

Phil Johnstone, Director of KPMG (external auditors) in providing a summary of work undertaken since the last meeting stated that KPMG had issued unqualified audit opinion, unqualified VFM conclusion, consistency conclusion on the Whole of Government Accounts (WGA), Audit Certificate and Annual Audit Letter. Members heard that the issuance of VFM conclusion meant that KPMG were satisfied that the Council had proper arrangements for securing financial resilience and challenging economy, efficiency and effectiveness. He continued that the Annual Audit Letter attached to the report provided more details as well as a recommendation relating to the audit of the WGA. He then set out an outline of

KPMG's proposed work over the next quarter which would focus on planning for the 2013/14 financial statements, preparing the 2013/14 Audit Plans for the Authority and its Pension Fund for presentation at the Audit Committee on 19 March 2014 and planning the interim accounts audit where the key financial controls would be reviewed.

In reference to The Audit Commission's latest research, "Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14", the Director confirmed that Brent Council was among the 63% of England's councils that demonstrated a high degree of financial resilience over the last three years and added to their reserves, despite a 20 per cent reduction in government funding and a number of other financial challenges. He however added that whilst Brent was financially well placed, it needed to take tough decisions to address future challenges and continue adapting in order to fulfil its statutory duties and meet the needs of local people.

Conrad Hall, Chief Finance Officer praised his team of officers for their efforts that led to the conclusions reached by the external auditor on the Council's arrangements for securing financial resilience. In respect of the external auditor's high priority recommendation, the Chief Finance Officer assured Members that the issues that gave rise to the slight delay in the submission of the WGA return would be addressed in closing the 2013/14 accounts.

A member raised a question about the severance payment made to the former Chief Executive and the former Director of Finance and the impact it had had on the Council's finances. Steve Lucas, KPMG Manager responded that following a review, KPMG concluded that no issue of serious concern arose from the payments for which Council needed to be challenged. He praised officers for the openness that prevailed in the discussions and review.

It was noted that details of these payments were disclosed in the Council's 2012/13 accounts.

In bringing the discussions to a close, David Ewart, Chair, noted the external auditor's issue of full certificates as set out in the report and that Brent was not in the group of local authorities facing serious financial difficulties. He endorsed the advice by the external auditors for the Council to be mindful of the challenges ahead and maintain its focus.

RESOLVED:

that the external audit progress report be noted.

6. **2013-14 Mid-year Treasury report**

Members received a report which provided a summary of the treasury management activity during the first half of 2013/14. The report indicated that none of the Prudential Indicators had been breached and that a prudent approach had been taken in relation to investment activity with priority being given to security and liquidity over yield.

Conrad Hall, Chief Finance Officer explained that Treasury Management was the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Members heard that the Council had complied with Prudential Indicator Compliance and that there were no breaches to the Authorised Borrowing Limit or the Operational Boundary so far this year. Conrad Hall gave an update on funds received from Icelandic banks (Heritable and Glitnir Banks) adding that further distributions were expected although the exact timing was not known.

In the discussions that followed, Councillor Cummins enquired about the sums received from the Icelandic Banks including its application. The Chief Finance Officer explained that the sums received were shown in the accounts under 'outstanding debtors'. Its use and application were not generally determined.

RESOLVED:

that the report on 2013-14 Mid-Year treasury report be noted.

7. Treasury management strategy 2014-15

Members considered a report which presented the draft Treasury Management Strategy for 2014/15, the final version of which would be included in the budget report to be approved by the Council on 3 March 2014. It was noted that this was an important report as it set the strategy performance that would be judged against in 2014-15.

Conrad Hall, Chief Finance Officer informed the Committee that the strategy which had been based on CIPFA code of practice would set the framework for Treasury Management activity in 2014/15 and would include current levels of borrowing and investments, interest rate outlook, approach to future borrowing and investments. He continued that the successful identification, monitoring and control of risk was central to the strategy in view of the substantial sums of money borrowed/invested and potentially large exposures to financial risks.

In response to a member's question about a possible rise in interest rates as predicted by financial commentators, the Chief Finance Officer stated that although he did not share the view that interest rates were likely to rise in the medium term, officers would monitor developments with the advice of Arlingclose Ltd, the Council's treasury management advisers. He drew members' attention to the need for officers and members with treasury management responsibilities to receive appropriate training. In response to a member's query, the Chief Finance Officer undertook to clarify a sentence in annexe B of the report (non-specified investments).

RESOLVED:

That the treasury management strategy 2014-15 be noted subject to a clarification in annexe B of the report (non-specified investments).

8. Internal Audit Progress Report 2013/14

The report from the Chief Finance Officer presented a summary of the work of Internal Audit and the Investigations Team from 1st April 2013 to 30th November 2013. The appendix provided further details of audit reports issued.

Simon Lane, Head of Audit and Investigations informed Members that as at 30/11/13, a total of 663 (53%) days had been delivered against the plan with plans in place to deliver additional days. He provided updates on work in the following areas;

Framework i phase 1 purchasing (fostering and residential placement for children)
The team identified weaknesses as set out in the report which resulted in a limited assurance rating. However, management responded quickly to the findings and recommendations and have implemented improvements. Simon Lane indicated that a re-audit now would most likely result in a substantial assurance rating.

Carers' service hub

Overall, major control weaknesses including performance management, data management, and marketing were identified. An action plan to address the weaknesses had been agreed to be in place by 31 January 2014 covering service specification, the development of robust performance management process, regular monitoring of the hub by the Board including updating carers' data.

Soft box, a migration project to launch a single system to replace Appointeeship and Deputyship accounts.

Overall, the key issues identified related to outstanding actions on the migration of information from legacy systems to Softbox, follow up of exceptions found on the Softbox, approval and review of direct debits. Recommendations made had been agreed by management.

Woodfield school

Nine priority 1; nineteen priority 2 and one priority 3 recommendations were raised as a result of this audit, all of which were agreed for implementation by the School.

Fraud housing benefit

High volume of fraud referrals were received which were screened out without investigation due to inadequate staffing level. Members queried whether additional resources would address this problem. Simon Lane pointed out that this was an issue across local authorities and that the new structure to be implemented within Audit and Investigations would help to address the high number of allegations which could not be investigated.

Housing Tenancy Fraud

Members heard that since 2010/11, the government had provided additional funding to encourage Councils to detect and address sub-letting of housing stock. The funding had enabled the Council to increase property recoveries as shown in table 5 of the report. In response to a member's question about the source of allegations, Simon Lane responded that this was mainly via whistleblowing, gas safety checks and a recent data matching exercise with call credit.

Other fraud

Following proactive exercises, there were 5 prosecutions during the quarter for blue badge fraud. He drew members' attention to the statistics relating to internal fraud adding that 13 cases were investigated which resulted in 4 officer dismissals. He also gave an update on proceeds of crime act cases.

Simon Lane advised members about a key change in the CIPFA Code of Practice; the requirement to have an external, independent assessment of internal audit once every five years. These must be conducted by a suitably qualified independent assessor from outside the organisation. He added that a recommendation regarding proposals for this external assessment would be brought to a future meeting of this committee. Chair concurred.

In welcoming the report, the Chair added that where a service manager was not being helpful in addressing limited assurances, then the manager should be asked to attend a meeting of the Audit Committee to explain the situation to members. Such requests would need to be sanctioned by the Chief Finance Officer.

RESOLVED:

that the progress made in achieving the 2013/14 Internal Audit Plan and the review of fraud work be noted.

9. **Any other urgent business**

None.

10. **Date of next meeting**

It was noted that the next meeting would take place on 19 March 2014.

The meeting closed at 8.40 pm

D Ewart
Chair