



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Wednesday 25 September 2013 at 7.00 pm

PRESENT: Mr Ewart (Chair) and Councillors Al-Ebadi and Cummins

Apologies for absence were received from: Councillors Van Kalwala

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

None declared.

2. **Deputations**

None.

3. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 26 June 2013 be approved as an accurate record of the meeting subject to amending the name of the new Director of KPMG to "Phil Johnstone".

4. **Matters arising**

Housing benefit fraud

Members noted that the report on housing benefit fraud comparison data was not available and would be submitted to the next meeting. Simon Lane, Head of Audit and Investigations clarified that the report would cover information on Department of Works and Pensions (DWP) database only.

Brent Housing Partnership (BHP)

It was noted that the report on the BHP audit programme would be submitted to the next meeting.

5. **Statement of Accounts 2012-13 and External Auditor report**

Members considered a report on the Statement of Accounts for 2012-2013, produced by the Council's external auditors, KPMG, following completion of the audit of accounts. The report identified changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work and also provided the overall value for money conclusion for the year.

In introducing the report, Phil Johnstone, Director of KPMG stated that the audit of the financial statements identified one material adjustment within Property, Plant and Equipment and three non-trivial adjustments, none of which affected the Authority's financial position. The Authority also made a small number of trivial adjustments, most of which were of a presentational nature and for completeness, the details of the non-trivial audit differences had been included in Appendix 1. Phil Johnstone placed on record that the Authority had good processes in place for the production of the financial statements, officers dealt efficiently with audit queries enabling the audit process to be completed within the planned timescales. He also paid credit to KPMG for building good relationship with officers in discussing specific risk areas and addressing issues appropriately. Members heard that the Authority's organisation and IT control environment was effective, controls over the key financial systems were sound and that internal audit were compliant with the Code of Practice for Internal Audit in Local Government. Phil Johnstone informed the Committee that KPMG anticipated issuing an unqualified audit opinion by 30 September 2013 and also reported that the wording of the Council's Annual Governance Statement accorded with KPMG understanding

Phil Johnstone added that although the financial statements were substantially complete, a signed management representation letter would be required before KPMG can issue an opinion. He confirmed that KPMG had complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements and would conclude that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. KPMG therefore anticipated issuing an unqualified value for money (VFM) conclusion by 30 September 2013 subject to consideration of any objection to the financial statements.

Phil Johnstone reported that the audit could not be closed until the Whole of Government Accounts (WGA) return had been completed. The deadline for the completion of the WGA was later than the accounts themselves and was due by 4 October 2013.

Stephen Lucas of KPMG informed members that they anticipated issuing an unqualified audit opinion in relation to the Pension Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2013. He added that the Authority had good processes in place for the production of the Fund's financial statements, sound controls over the Fund's key financial systems and adequate supporting working papers. He continued that officers also dealt efficiently with audit queries resulting in the audit process being completed within planned timescales.

In highlighting the main areas in the accounts, Mick Bowden, Deputy Director drew members attention to the 2012-13 outturn table that showed that the overall target of £12million of non-earmarked reserves had been achieved and that areas of over-spend including looked after children had been contained. He continued that over the year contributions for Section 106 agreements had added a sum of £1.7million although there were specific requirements as regards its use. Members heard that the move to the civic centre and the associated transitional costs would impact upon long term planned reserves. The Deputy Director added that although cash flow into the Pension Fund was positive there were challenges ahead.

In welcoming the report, members were united in expressing their appreciation to the Deputy Director and his team of officers for the excellent work they had done and as amplified by the external auditors.

RESOLVED:

- (i) that the adjustments made to the accounts and referred to in the reports from the Deputy Director of Finance be noted;
- (ii) that the letters of representation to the Audit Commission be approved;
- (iii) that the annual statement of accounts be approved.

6. Annual Governance Statement

The Committee considered a report that set out the Annual Governance Statement for 2011/12 as required by the Accounts and Audit Regulations 2011. Simon Lane, Head of Audit and Investigations, set out a number of significant governance issues identified and a summary of actions taken to address them. These included the following;

- a) The impact of a number of reforms to welfare benefits which were likely to impact more heavily in Brent than in any other London Borough with a consequent impact upon the need for support from various council services, such as temporary accommodation, children's and adult's services and customer services.
- b) Reductions in Housing Benefit for claimants living in social rented accommodation with "spare" bedrooms and the introduction of a local Council Tax Support scheme to replace the previous national scheme. Rent collection and Council Tax payments from claimants had remained relatively stable following this change, though sustaining increased payments may prove challenging.
- c) The government's Overall Benefit Cap implemented from August 2013 with significant impact on approximately 2000 claimants in Brent, many of whom could lose all or the majority of their housing benefit. The Council was attempting to mitigate this impact by encouraging employment and alternative housing options, but there was likely to be a significant increase in homelessness, and a reduction in landlords letting to benefit claimants, over the ensuing months.
- d) Beyond 2013 the national rollout of Universal Credit would present further challenges for claimants, landlords and local authorities, particularly relating to online claims, monthly budgeting requirements and the introduction of direct rent payments to claimants rather than landlords.
- e) The Council was undertaking a review of non-permanent staffing arrangements which would result in the reduction of expenditure on agency and consultant staff. A new agency contract let to Reed Employment had incentives built into the contract to ensure a reduced dependency on agency workers. A new HR contract manager had been appointed to drive down agency spend and negotiate preferential rates.

- f) During the year, an issue was identified regarding the under reporting of expenditure in 2011/12 within the placements budget within Children and Families. This resulted in a one off, unexpected, charge to the revenue budget for 2012/13 of £1m which had been addressed via the use of reserves within the service area and from other under-utilised budgets (virement). The unexpected charge highlighted a failure to adhere to proper accounting practices and was being addressed through improved systems.

It was explained by the Head of Audit and Investigations that this document was a statement on the council's overall governance arrangements and would be signed, once approved by the committee, by the Leader and Chief Executive.

RESOLVED:

that the Annual Governance Statement as set out in appendix 1 to the report from the Deputy Director of Finance be approved.

7. Corporate risk register

The Committee considered a report that presented the council's current Corporate Risk Register following a review by the Corporate Management Team (CMT). Simon Lane, Head of Audit and Investigations stated that the register which identified the council's top strategic and operational risks had evolved over the last year through consultation with Departmental Management Teams (DMTs). He continued that the register had been the subject of review by the Corporate Management Team (CMT) in September 2013 and drew members' attention to the key changes as set out in the appendix to the main report. He clarified the proposal to remove the risks concerning the Civic Centre build, customer service and IT at the Civic Centre, as they were no longer considered strategic at this stage. Simon Lane highlighted the following new key operational risks: Regeneration and Growth concerning the Willesden Library Project and the drop in council tax and National Non Domestic Rate (NNDR) collection, reflecting the general economic climate and the government's welfare reforms. He undertook to assess the risks associated with the Assistant Chief Executive Department in liaison with the person appointed to the post.

In the ensuing discussion, members enquired as to why the Council was spending money on building it had vacated and how far this was likely to continue. The Deputy Director was also asked to confirm whether he took note of the risk of a purchaser not being able to proceed with a contract for the purchase of any of the council buildings.

The Deputy Director in response stated that the committed end periods for buildings formerly occupied by the council were taken into account although the council would look for opportunities to reduce these costs. He added that the marketing proposals for Brent House were progressing however, as the existing tenant occupied part of the building, the building was still in use. He also confirmed that a whole range of variables including non-performance of contract by a purchaser were built into the risk register.

Cllr Cummins identified a risk in the council's current telephony arrangements and queried whether or not this should feature on the register. Simon Lane, Head of Audit and Investigations stated that he would discuss the matter at the next opportunity with the relevant operational director.

RESOLVED:

that the contents of the Council's updated Corporate Risk Register be noted.

8. **1st Internal audit progress report**

Members had before them a report that summarised the work of Internal Audit and the Investigations Team from 1 April 2013 to 31 August 2013 together with assurance ratings of reports issued. Simon Lane, Head of Audit and Investigations informed members that a total of 361 days had been delivered against the overall Plan, made up of 256 Deloitte PSIA days and 105 days in-house days. This represented 28% of the Plan and a reduction in the level of delivery when compared with 2013/14 (38%).

The Head of Audit & Investigations continued that the main reason for the reduction in the level of delivery was due to the move to the Civic Centre which took place during June to August 2013. It effectively meant that services, including the Audit & Investigations Team, gave priority to the move which led to a number of audits being delayed. In a number of other instances audits have had to be postponed due to changes to structural changes across the organisation. He anticipated a significant progress in September and the rest of the third quarter of the year when a number of significant financial systems were scheduled to be reviewed. In addition, Deloitte had scheduled additional staff input during the period.

Simon Lane updated members that the Department of Works and Pensions (DWP) long term proposals for the Single Fraud Investigation Service (SFIS) were beginning to take shape. On 6 September 2013, the DWP announced their intention to take over responsibility for housing benefit fraud and residual council tax benefit fraud at some point during the 2014/15 financial year. They advised that responsibility would transfer in blocks with Brent being part of the London and the Home Counties group. Fraud investigations into local council tax support (the replacement for council tax benefit from 1st April 2013) would remain the responsibility of local authorities. There had not been any formal commitment to transferring investigation staff although the planning assumptions were that a significant number of investigation staff in local government would transfer to the DWP under TUPE arrangements.

Members heard that whilst there existed a centrally coordinated approach to business continuity planning, weaknesses were identified in the following areas: business continuity arrangements of contractors delivering key services; accuracy of priority ratings; linking Business Continuity Plan (BCP) and Risk Management Process; business continuity exercise; educating local business and voluntary organisations; sign off of business continuity review; and guidance on when to contact the Emergency Planning & Control team. He added that weaknesses were also identified in respect of linking all of the identified priorities within the recycling and waste project to quantifiable contributions, raising concerns about whether the

initiatives identified would be sufficient to deliver the required reduction in waste and increase in recycling.

During discussions, members took note of the number of recovered properties and the possibility of it in assisting to reduce the council's expenditure on bed and breakfast accommodation. Although they welcomed the report, members expressed concerns about the business continuity arrangements as outlined by officers to which Miyako Graham of Deloitte gave an assurance that they would follow up on the recommendations within six months.

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 at this meeting.

10. **Date of next meeting**

RESOLVED:

to note that the next meeting would take place on 8 January 2014.

The meeting closed at 8.20 pm

D Ewart
Chair