

**MINUTES OF THE AUDIT COMMITTEE**  
**Thursday, 24 September 2009 at 7.30 pm**

PRESENT: Councillor Cummins (Chair), Councillor HM Patel (Vice-Chair) and Councillors Butt

**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 18 June 2009 be approved as an accurate record of the meeting.

**4. Matters arising**

None.

**5. Statement of accounts 2008/09 Annual governance report**

Members received a report from Duncan McLeod (Director of Finance and Corporate Resources) on the statement of accounts for the year 2008/09.

Duncan McLeod explained that the full statement of accounts and the Pension Fund accounts had been audited separately this year for the first time. The governance report for the Pension Fund had already been presented to the Pension Fund Sub-Committee. Duncan McLeod thanked Andrea White (District Auditor, Audit Commission) and Shahida Nasim (Operational Manager, Audit Commission) for completing their work in such a short time.

Andrea White noted that work on the audit was at an advanced stage, although the fact that the Council's finance systems were highly devolved had meant that the audit had taken longer than had been originally anticipated. She added that the Council's officers had given excellent co-operation. She went on to explain that the final fee charged by the Audit Commission had yet to be determined.

Shahida Nasim explained that the Council's accounts had been found to be true and fair, although there had been errors in some financial statements. Appendix 2 of the report showed the adjustments made in order to make these accurate. She drew Members' attention to Appendix 5, where an action plan was described. Duncan McLeod then advised that a detailed list of the errors in financial statements would be presented to the Audit Committee.

Turning to the audit of the Pension Fund, Shahida Nasim explained that work on this was also at an advanced stage. She added that there were no material weaknesses in internal control, although two errors had been noted in the financial statements, the amendments to which were detailed in Appendix 2 of the report. Shahida Nasim also drew the Committee's attention to two additional amendments identified after the draft Annual Governance Report had been circulated, relating to the updated valuation of private equity investments and future contractual commitments.

Asked whether the annual report would be completed on time, and whether there were an update on the outstanding legal proceedings, Duncan McLeod advised that it was planned for the annual report to be completed by the required deadline of 30<sup>th</sup> November 2009, and regarding the legal proceedings, he explained that the case was now at the Court of Appeal. Andrea White advised that, once the proceedings had been concluded, she would be able to issue her final certificate.

RESOLVED:

- (i) that the Annual Governance Reports from the Audit Commission and the letter of representations to the Audit Commission be noted; and
- (ii) that it be noted that the accounting policies were correctly followed and that no issues arising from the financial statements and the audit needed to be brought to the attention of Full Council.

## **6. First Internal Audit Progress Report 2009/10**

Simon Lane (Head of Audit and Investigations) presented a summary of the work of Internal Audit between 1<sup>st</sup> April 2009 and 31<sup>st</sup> August 2009. He explained that work on the audit was ahead of schedule, with 474 days, or 39 per cent of the plan, having been completed.

Simon Lane then explained that some primary schools were struggling to achieve passes after their Financial Management In Schools (FMSIS) assessments. He added that the team was on target to assess all primary schools by 31<sup>st</sup> March 2010.

On the subject of foundation schools, Simon Lane explained that there had been concerns about financial management at one of the foundation schools. As the problems had not been identified by the school's independent auditor, it had been decided that the auditing of these schools would be brought back under the control of the Audit and Investigation Team. Four were currently due to be audited as part of the current 2009/10 Plan and the remainder were expected to be done in the first half of the 2010/11 Plan.

Phil Lawson (Deloitte) then described in more detail the progress of the internal audits for which a Limited Assurance had been awarded since 1 April 2009. The audit of Home Care – Care Management identified weaknesses with regards to the resolution of areas of poor performance on the part of service providers over an extended period of time. Whilst management had identified various issues regarding performance, a number of credit notes were outstanding, and in some

instances management had consequently stopped undertaking certain checks, such as on carers' timesheets. In addition, whilst it was management's decision in terms of the extent to which home visits were undertaken, from Internal Audit's perspective the sample size appeared to be relatively small, and the samples selected by management were not covering all service providers. However, on a positive note, the planned introduction of an electronic time monitoring system should help management to address some of the issues.

Phil Lawson went on to explain that the audit of Recruitment had identified several issues; however, management had been aware of the majority of these. However, it was agreed that the audit should go ahead so as to help ensure that management were fully aware of weaknesses from a controls perspective as well as any general improvement and efficiency issues already identified. It was understood that management were seeking to address the majority of the issues through the introduction of an e-recruitment system.

The Joint Commissioning audit had found that, Although a number of weaknesses were identified with regards to Joint Commissioning in Children & Families, to a certain extent these had probably come about due to the team still being relative new. In such situations the tendency is often to focus on getting things up and running, as opposed to concentrating on ensuring that procedures and tasks are fully formalised. One of the priority 1 recommendations was therefore overarching in terms of management ensuring that procedures are documented and that evidence is retained of all tasks and checks undertaken. It is positive to note that detailed management responses were received setting out the actions to be taken.

With regards to the audit of Complaints, Phil Lawson acknowledged that the Ombudsman had previously been generally positive about the Council's performance with regards to complaints handling. However, the audit had identified weaknesses around the controls in place, some of which were linked to the use of two different IT systems and also to the devolved nature of complaints handling. He added that it was understood that there is a wish to move to one IT system, for which there should be greater monitoring functionality, but there have been problems with regards to the support from the software provider.

Councillor H M Patel asked whether deadlines had been set for the implementation of the assurance recommendations. Phil Lawson replied that for each audit, management were required to provide a response to each recommendation raised, confirming the actions to be taken, the responsible officers and a deadline for completion. These deadlines were reviewed for reasonableness in line with the priority of the recommendation, prior to the report being finalised. He added that the recommendations were then followed-up once the deadlines had passed.

RESOLVED:

that the progress made in achieving the 2009/10 Internal Audit Plan and the proposals for the future audit arrangements for foundation schools be noted.

**7. Treasury Management - Select Committee report on local authority investments in Icelandic banks**

Members received a report presented by Mick Bowden (Deputy Director of Finance and Corporate Resources) regarding the House of Commons' Select Committee report on the lessons to be learned from the collapse of Icelandic banks with which local authorities had deposits. After consideration, the Select Committee had decided against introducing tighter controls over the way in which local authorities invested their money. Mick Bowden then listed some of the other recommendations from the Select Committee's report: that smaller authorities should share expertise; that local authorities should not simply rely on credit rating agencies in selecting banks; and that councillors should be given more opportunities for training.

To give an update on Brent Council's deposits, Mick Bowden reported that about 16 per cent of the deposits with Heritable Bank had already been repaid. This amounted to £1.6 million. Councillor Butt then asked what the impact on the Council's finances would be, were there to be delays in the repayment of money due. In response, Mick Bowden explained if the money were not repaid, it could cause the Council some short-term cash flow problems, but that current Government regulations meant that it would not impact on council tax in the current year. He added that the Council hoped to have most of the money returned to it, and at least another 10 per cent was expected by the end of 2009.

The Chair asked whether the recommended training for Members sitting on the Audit Committee would not be held until after the local elections in May 2010. Mick Bowden replied that the training which Members had already received was more advanced than that recommended by the Select Committee, and Duncan McLeod added that there was therefore no urgent necessity to hold more training until after the elections.

The Chair then commented that, if independent members were to be co-opted onto the Audit Committee, they would need to have local authority treasury management experience. Councillor Butt commented that sharing expertise with other local authorities would prove useful, particularly if the authorities were similar in profile to Brent Council.

Duncan McLeod undertook to compile for the next meeting a list of proposals explaining how the Select Committee's recommendations could be implemented.

RESOLVED:

that the steps taken either previously or in response to the Select Committee report be noted.

**8. Any other urgent business**

None.

9. **Date of next meeting**

It was noted that the next meeting was scheduled to be held on **Thursday, 17 December 2009** at **7.30pm**.

The meeting closed at 8.45 pm.

M CUMMINS  
Chair