



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Wednesday 18 November 2015 at 7.00 pm

PRESENT: Mr Ewart (Chair), Councillor A Choudry (Vice-Chair) and Councillors Davidson, Khan, Naheerathan and Nerva

Also present: Councillor Pavey

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

The Chair declared that he had formerly been the Director of Finance at the London Borough of Ealing.

2. **Minutes of the previous meeting**

RESOLVED:

that the minutes of the previous meeting held on 16 September 2015 be approved as a correct record, subject to correction of the spelling of the Head teacher's name in minute 5 to Zahida Shaheem.

3. **Matters arising**

None.

4. **Exclusion of Press and Public**

RESOLVED:

that the press and public be excluded from the meeting as the report is not for publication (below the line) because it contains information that is likely to reveal the identity of an individual and the financial or business affairs of a particular person (including the authority holding that information) as set out under Schedule 12A of the Local Government Act 1972.

5. **Investigation into Finance Services Centre payment processing**

Akhlaq Ahmed and Sameer Rafique from KPMG were present. Conrad Hall (Chief Finance Officer) introduced the item by explaining how a payment batch had been processed incorrectly and had led to duplicate payments being made. He also outlined the steps taken to ensure better processes were in place and staff understood their responsibilities. Conrad Hall explained that KPMG had been engaged to assist the Council in determining the exact sequence of events, what had happened and to make recommendations for improvement.

Mr Ahmed explained the findings as contained in the KPMG report and both he and Mr Rafique answered questions from the members of the Committee on how the errors were made and how the system operation allowed or contributed to the problems. Arising from this, it was recognised that because each of the six boroughs sharing Oracle had a small team of individuals authorised to make changes to the system, this resulted in a fairly large number of people at this level. It was felt by the committee that a small central team would be more efficient. During the period from 17 July when the first error was made to 7 September when another error in the payment run was made, it was clarified that senior finance officers, staff in the banking and accounting teams and the Oracle helpdesk were all aware of the position but delayed taking action while the Council's contractor worked on providing a data fix. It was stated that despite being requested to check for any signs of fraud, the investigation by KPMG found no evidence of fraud having taken place.

In recognising that there was a critical need to improve staff training and change the working culture of the office, it was reported that the Financial Services Centre was undergoing a review and staff would be subject to an assessment process before being slotted into new positions. The Chief Executive added that the problems the KPMG report exposed with the operation of the Financial Services Centre clearly had to be resolved and she provided an undertaking that action would be taken. A briefing would be sent to all councillors on the changes taking place.

Members asked if the new shared internal audit service would have the resources to undertake the checks necessary to ensure improvements were being made. Steve Tinkler (Head of Audit and Investigation) stated that his team would bring a fresh perspective to this work and re-assured the committee that he had the resources for this. It was felt that the functioning of the new shared internal audit service was something the committee would want to consider at its next meeting.

The Chair thanked Akhlaq Ahmed and Sameer Rafique for their attendance and responding to the questions from members. He thanked the officers and members for their contributions.

RESOLVED:

- (i) that the findings and recommendations of the KPMG investigation be received and endorsed;
- (ii) that reports be submitted to the next meeting of the committee
 - updating it on progress with the KPMG recommendations; and
 - outlining the specification for the shared internal audit service and the risks associated with moving such services into a shared arrangement.

6. Any other urgent business

None.

7. Date of next meeting

Noted that the next meeting will be on 5 January 2016.

The meeting closed at 9.00 pm

D EWART
Chair