



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Wednesday 26 June 2013 at 7.00 pm

PRESENT: David Ewart , Councillors Cummins, Choudary (as alternate) and Harrison (as alternate)

Apologies for absence were received from: Councillors Al-Ebadi and Van Kalwala

1. Declarations of personal and prejudicial interests

None declared.

2. Minutes of the previous meeting

RESOLVED:-

that the minutes of the previous meeting held on 20 March 2013 be approved as an accurate record of the meeting.

3. Matters arising

The Committee noted the efforts of the previous Chair, Mr S Wood and thanked him for all contributions.

It was noted that the risk register was in draft form due to the recent changes in senior management and would be brought to the next meeting for consideration.

4. External Audit Progress Report - KPMG

The new director of KPMG Phil Johnson introduced himself and informed the Committee of his background with regards to audit work and the public sector. Phil Johnson reported that the work to date was completed with no issues to report and that all was going well. It was explained that following the accounts being submitted by the Council's section 151 officer, these would then be audited and reported upon at the meeting in September. With regard to fees it was confirmed that the fees had been set within the price tendered for the five year contract and this demonstrated a 40% reduction in the proposed fee for 2013/14 from the 2011/12 level, as there were no specific additional audits requested. It was noted that for 2012/13 a specific audit was carried out on exit packages and it was highlighted that a change in fee was unlikely until the Council was able to appoint its own auditors, at the end of the current contract.

RESOLVED:

That the report be noted

5. Annual Governance Report - Progress Report on Action Plan

Mick Bowden, Deputy Director of Finance and Corporate Service informed the Committee that the report highlighted progress against the action plan. He continued to highlight that there was little movement in relation to the first five recommendations regarding the statement of accounts which were due to be handed over shortly. It was reported in relation to recommendation six, the anti fraud and corruption policy had been adopted by CMT and was currently being rolled out across the Council. Mick Bowden was pleased to inform the Committee that recommendation seven and eight had been achieved with the general fund being built to £12m and the success of procuring the WLA parking contract.

RESOLVED:

That the report be noted

6. 2012/13 Treasury Management Outturn Report

Mick Bowden Deputy Director of Finance and Corporate Service informed the Committee that a copy of the report to the Executive was attached which updated members on the treasury management activity for the past year and all prudential indicators being complied with. Mick Bowden reported that the Council was still seeking to take much long term borrowing but was watching the position in relation to current market rates. It was noted that the position regarding the Icelandic banks was still unchanged with periodic returns expected and a high return rate of 80-90% likely to achievable.

During discussions it was queried whether the Council had a strategy in relation to long term borrowing. It was reported that at a national level the cost of long term borrowing had increased which would impact at a local level although rates were still historically low. It was noted that if quantitative easing was not continued then rates may increase slightly but a watching brief would be kept. Following queries regarding borrowing for the Civic Centre capital project it was noted that the interest rate was currently lower than originally anticipated in the business case. Members queried the Glitnir return rates and although an additional 5% of the outstanding £1m was expected, it was uncertain when this would occur due to the Icelandic Krona exchange rate needing to be confirmed. It was noted that not all returns were confirmed with £2m outstanding however it was expected that the provisions already made would cover the losses suffered. The Chair noted the full compliance with the code of practice and encouraged members to attend a training session on 22 July 2013 regarding treasury management.

RESOLVED:

That the report be noted

7. Final Internal Audit Progress Report 2012/13

Simon Lane, Head of Audit and Investigation informed the Committee that the report updated members on progress against the 2012/13 action plan. He

highlighted that 40 audit days were not completed, primarily relating to IT audits due to move to the civic centre. . Simon Lane advised the committee that he was concerned about slow progress against this year's plan in the first quarter due to a number of audits having to be postponed following requests from management. Simon Lane informed the Committee that draft reports had been issued on all planned audits, other than those mentioned above and that there had been an increase in the proportion of substantial assurance reports from 42% to 67% and two audits receiving full assurances. The Head of Audit and Investigation highlighted audits that had received a limited assurance and drew the members attention to the audit of the appointment of interims and consultants. Simon Lane explained that work was being undertaken by People and Development to address the issues by drawing up a centralised register of consultants, reviewing pay of consultants in post for long periods of time and revising policies regarding the appointment of consultants. It was requested that a future update be provided to the Committee. Other areas of concern included; oyster cards, direct payments and personal budgets, and home care.

During discussion it was noted that the anti fraud and corruption policy had recently been approved and was in the process of being rolled out across the Council. In relation to case load, large numbers of housing benefit fraud cases had not been investigated due to the high number of referrals and the limited resources available to investigate, including three vacancies within a team of five investigators. It was clarified that a screening process takes place to prioritise cases where the necessary information is available. In response to a query about increasing resources it was pointed out that, ultimately, housing benefit was paid by local government on behalf of the DWP and, therefore, additional resources should not be allocated in this area. It was highlighted that 18 cases of internal fraud were found, resulting in five dismissals and 10 resignations before action could be taken. Members queried the current vacant posts within the housing benefit fraud team and although one post had been appointed, it was clarified that due to the uncertainty regarding universal credit and the Single Fraud Investigation Service, it was difficult to attract persons to the posts. Members queried Brent's performance regarding fraud in relation to other London Boroughs. Simon Lane explained Brent targeted high value cases, which inevitably take longer than lower value cases so the level of overpayment identified was high when compared to other councils but the number of sanctions achieved was lower. It was agreed that a report would be brought to a future Committee.

RESOLVED:

- (i) That the report be noted
- (ii) An update be provided regarding consultants
- (iii) A report be provided regarding housing benefit fraud comparison data

8. Internal Audit Final Progress Report

Simon Lane, Head of Internal Audit and Investigation informed the Committee that the report included an opinion on the overall adequacy and effectiveness of the Council's internal controls and presented a summary of the audit work undertaken during the year. It was highlighted that the CIPFA Code of Practice 2006 applied although a new code, the public sector internal audit standards, would apply from

1st April 2013. Simon Lane as part of his opinion felt that suitable controls were in place except areas where a limited assurance was given. Simon Lane drew attention to the Children and Families budget which had historically receipted invoices in the wrong year which had created a £1m overspend for the year 2012/13. This issue had been addressed through the release of one off reserves and virement to create a balanced budget going forward for the future.

During discussions members queried the auditing of Brent Housing Partnership's (BHP) accounts and financial plan. Simon Lane explained that the team carried out audits however these were presented to the BHP, with BHP appointing their own external auditors. The Committee requested that a report should be produced to ensure that compliance with Brent policies and procedures and it was agreed that this would be brought to a future meeting.

RESOLVED:

- (i) That the report be noted;
- (ii) That a report be produced regarding the auditing of BHP to ensure compliance with policies and procedures.

9. **Any other urgent business**

None.

10. **Date of next meeting**

RESOLVED:

That the next scheduled meeting of the Committee will take place on 25 September 2013.

The meeting closed at 8.05 pm

D EWART
Chair