



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Wednesday 19 March 2014 at 7.00 pm

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

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 8 January 2014 be approved as an accurate record of the meeting.

3. **Matters arising**

Treasury Management Strategy

Members were informed that the strategy had been updated.

4. **Deputations**

None.

5. **KPMG - Certification of grants and returns 2012/13**

The Committee received a report that summarised the results of the work on the certification of the Council's 2012/13 grant claims and returns fully undertaken by KPMG as appointed auditor. Phil Johnstone, Director of KPMG (external auditors) informed members that KPMG issued unqualified certificates for two grant claims and returns, and issued qualifications in respect of the housing and council tax benefits claim and the national non-domestic rates return. He explained that the housing and council tax benefits claim was qualified due to benefit either being incorrectly awarded or incorrectly classified on the claim. The 2011/12 claim was also qualified and the level of errors found this year was consistent with the previous year. The national non-domestic rates (NNDR) return was qualified as information in respect of the new deferral scheme missed the certification deadline by four days only. Members noted that the information was subsequently found, thus enabling the qualification issue to be cleared between the Council and the

grant-paying body (Department for Communities and Local Government). The Director (Phil Johnstone) added that minor amendments were necessary to three grant claims and returns audited; housing and council tax benefits claim, the national non-domestic rates return and the teachers' pensions return.

Phil Johnstone reached the conclusion that the Council had good arrangements for preparing its grant claims and returns and supporting the auditors' certification work and apart from those minor issues highlighted above no other significant weaknesses were identified in the Council's arrangements for preparing its grant claims and returns. He continued that the overall fee for the certification of grants and returns reflected a significant reduction on 2011/12. However, there was an additional charge from the original scale fee to reflect additional work that was required to resolve queries on the housing and council tax benefits claim and the production of a qualification letter for the NNDR return.

Mick Bowden, Operational Director of Finance also acknowledged the cooperation of KPMG which he added enabled the Council to achieve an excellent external audit report for the year. In welcoming the report members endorsed the view that the Council had achieved an outstanding external audit report.

RESOLVED:

that the external auditors' certification of grants and returns for 2012/2013 be noted.

6. KPMG - External Audit Plan 2013/14

Members received a report which supplemented KPMG's *Audit Fee Letter 2013/14* (presented to the Committee in April 2013) and described how KPMG delivered their financial statements audit work for the London Borough of Brent ('the Authority') and the Brent Pension Fund ('the Pension Fund')./ The report also set out the external auditors' approach to value for money (VFM) work for 2013/14.

Steve Lucas, Senior Manager KPMG presented the report. Steve Lucas informed the Committee that KPMG had completed their initial risk assessment for the financial statements audit. He continued that one significant risk relating to the triennial valuation for the local government pension scheme was identified this year. The Authority's progress in addressing this risk would be assessed as part of KPMG's interim work to be concluded at year end, although the initial risk assessment for the Pension Fund's financial statements audit had not identified any significant risks this year. The initial risk assessment for the VFM conclusion had not identified any significant risks at this stage. Steve Lucas informed members that the year-end audit was planned to commence in July 2014 and on conclusion the findings would be presented to the Committee in the report entitled 'Report to Those Charged with Governance (ISA 260 Report)' in September 2014.

The overall planned fee for the 2013/14 audit would be £263,520 and £21,000 for the Pension Fund. The main audit fee included work on the VFM conclusion and the audit of the Authority's financial statements and was based on a number of assumptions. These included that the Authority would provide KPMG with complete and materially accurate financial statements and good quality supporting working papers within agreed timeframes. He emphasised that it was imperative that this was achieved because if additional work than envisaged had to be completed,

KPMG would need to charge additional fees. Steve Lucas assured members that the initial assessments presented would be reviewed throughout the year and new risks that emerged would be evaluated and responded to accordingly.

RESOLVED:

that the external audit plan 2013/2014 be noted.

7. **Corporate Risk Register**

The Committee considered a report that presented the council's current Corporate Risk Register following review by the Corporate Management Team (CMT). Simon Lane, Head of Audit and investigations outlined the changes to the register since the last meeting and a review by CMT. In terms of strategic risks, there were no new inclusions or deletions but given the significant budget reductions required across all service areas, CMT were asked to consider the inclusion of a strategic risk around the ability to deliver savings and maintain statutory services. It was recognised that this was a very broad risk heading and would be difficult to encapsulate in a single register entry.

In respect of operational risks, members noted that the risks concerning failure to hit both council tax and National Non Domestic Rate (NNDR) collection targets had been removed. On the other hand, asbestos records in schools had reappeared as had failure to deliver the customer service project. New risks concerning assaults within the Civic Centre, meeting the demands of carers and the parking contract had been added. Members also heard that three new risks had been added concerning compliance with EU procurement regulations; judicial reviews and employment litigation and within the Assistant Chief Executives Department five new risks had been added.

Members noted the significant improvements to the corporate risk register and in welcoming the report Members debated the level of consultation with the voluntary sector in respect of the consultation risk. Members also noted that they would be receiving an updated register at each meeting.

RESOLVED:

that the Council's updated corporate risk register be noted.

8. **Internal Audit Progress Report 2013/14**

The Committee received a report that presented a summary of the work of Internal Audit and the Investigations Team from 1 April 2013 to 28 February 2014. The appendix attached to the report from the Chief Finance Officer provided further details of audit reports issued. Simon Lane Head of Audit and Investigations presented the report. In giving an overview, Simon Lane informed members that out of the total 1248 days, 888 (71%) had been delivered against the audit plan.

Simon Lane advised members that delivery was down on the previous year and that there was a risk that the full plan would not be delivered. It was pointed out that the contractor would not get paid if full delivery was not achieved and that it was

normal for delivery against the plan for 2013/14 to be ongoing into the first two months of the next financial year.

Members heard that there were 81 housing benefit fraud investigations which identified 51 cases of overpayments totalling £1.3million and that housing tenancy fraud investigations led to the recovery of 41 illegally sub-let properties. The Head of Audit and Investigations advised that this was a slight reduction in performance on the previous year and continued that 11 members of staff were dismissed as a result of internal fraud. In respect of general fraud issues he stated that the Department of Works and Pensions (DWP) had confirmed their intention to transfer housing benefit investigators from the local government sector into the DWP. This would mean that the council would no longer have responsibility for housing benefit fraud. The DWP were expected to publish their timetable for the transfer of Brent staff in April 2014 with the timetable for transfer of 380 local authority teams spanning the period October 2014 to March 2016. It is not known when the Brent team would be transferred but this could be as early as October 2014. There are a number of queries outstanding with the DWP.

Mick Bowden, Operational Director of Finance informed members that a verification policy had been developed in partnership with the Head of Audit and Investigations giving insurance staff access to all council databases to assist with verification of claims. In noting the report, members requested that their concerns on fire safety be communicated to the Brent Housing Partnership (BHP) Audit Committee as a priority item.

RESOLVED:

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

9. **Internal Audit Plan 2014/15**

The Committee received a report that report set out the Draft Internal Audit Plan ("the Plan") for 2014/15 and the basis on which the plan had been formulated. Simon Lane, Head of Audit and Investigations informed members that the internal audit plan had been developed in liaison with the Council's external auditors (KPMG). He continued that work against the Plan would commence from April 2014.

Members heard that the total plan days for 2014/15 would deliver 1,200 days of which 905 days would be allocated to Mazars Public Sector Internal Audit Limited (previously Deloitte & Touche Public Sector Internal Audit Limited) and 295 to the in-house team. He then drew members' attention to the table showing the breakdown of the total number of days across departments. He added that although 1,200 days was planned for this year, it was likely that there would be pressure to reduce cost and hence coverage from 2015/16 but that any proposals to reduce the total number of audit days would be presented to the committee.

In welcoming the draft internal audit plan, members were satisfied that the number of total internal audit days had remained unchanged for the year 2014/2015 and urged officers to continue to target the right areas. They commented though that any reduction in the number of days be very carefully considered.

RESOLVED:

- (i) that the approach taken to formulate the draft plan for the 2014/15 financial year and the content of the draft plan be noted;
- (ii) that the Internal Audit Plan for the 2014/15 be approved.

10. **Any other urgent business**

None.

11. **Date of next meeting**

It was noted that the date of next meeting would be confirmed after the Council's Annual General Meeting (AGM) on 4 June 2014.

The meeting closed at 8.05 pm

D Ewart
Chair