

MINUTES OF THE AUDIT COMMITTEE
Wednesday 4 March 2009 at 7.30 pm

PRESENT: Councillor Cummins (Chair), with Councillors Butt and H M Patel.

1. Declarations of Personal and Prejudicial Interests

None declared.

2. Deputations

None.

3. Minutes of the Previous Meeting – 17 December 2008

RESOLVED:

that the minutes of the meeting held on 17 December 2008 be approved as an accurate record.

4. Matters Arising

Item 4 – Matters Arising – Review of the Audit Committee

Duncan McLeod (Director of Finance and Corporate Resources) reported that he had re-issued paperwork to the three party leaders with a view to setting up specific meetings to discuss this review.

5. Treasury Management Strategy 2009/10

Martin Spriggs (Head of Exchequer and Investment) introduced the report and answered questions from members on the economic background to the operation of the Council's lending list and the series of actions taken to reduce risk. Martin Spriggs reported operational issues linked to reducing risk and informed the committee of proposals to adapt and strengthen the list in the light of current circumstances. The aim was to balance risk and return over the long term.

Asked about the role of the Council's advisers, Martin Spriggs informed members that his view was that they gave advice and guidance on the lending list and the criteria used, as well as other technical advice. Officers assessed the advice and, in general, much of it was taken. For example, some very good advice on debt restructuring had been received and was being acted on, but there was no obligation to take the advice. While information was shared across the London boroughs, for example, much of the information provided by advisers was specific to Brent, and it was very useful to receive this directly and quickly. In general, this had worked well so far.

Answering a question about a possible conflict of interest on the part of Butlers, the Council's advisers, Martin Spriggs reported that Brent's decision to invest in the two Icelandic banks had not been organised through Butlers, but independently.

Duncan McLeod (Director of Finance and Corporate Resources) added that the advisers provided specialist advice tailored to Brent's loan portfolio, and that their fee – around £20,000 annually – was small relative to the overall portfolio. Duncan McLeod also reported that, as a result of the Icelandic banks issue, co-operation between councils across London and nationally had now increased.

Discussing arrangements for increased member engagement in treasury management issues, members agreed in the current climate to receive quarterly reports on treasury management. They also noted that a training session had been organised for all councillors on 2 April 2009.

Duncan McLeod updated members on the issue of the Council's loans to two Icelandic banks. He reported that in the case of Heritable Bank, where the Council had placed £10m, all the repayments would be to public authorities or governments, and the administrators, Ernst & Young, were taking time to sell off assets in order to maximise value. A report on the latest position was expected in April from Ernst & Young, and there had been talk of an interim payment to creditors during the summer.

The situation around Glitnir Bank was less clear, largely as a result of the large number of creditors and lawsuits. The Local Government Association (LGA) was represented at all creditors' meetings, but there was little clear information so far, and it appeared that the assets-liabilities ratio was not as positive as Heritable's. Local authorities were arguing that they should be treated as preferential creditors and, although regular LGA briefings were provided, a clear position statement was not anticipated soon.

RESOLVED:-

- (i) that the report, in particular the proposals to adapt and strengthen the lending list, be noted;
- (ii) that quarterly reports on treasury management be received by the Audit Committee.

6. External Audit Progress Report

Members had before them a progress report from the Audit Commission on work completed since the Audit Committee meeting in September 2008. Andrea White and Shahida Nasim attended on behalf of the Audit Commission. Shahida Nasim presented the report and answered questions from members. She pointed out that this was the first such report, and welcomed comments on the format. Work completed against the plan was

set out in the report, together with details of work to be completed over the summer. The aim was to complete the development of the 2009/10 plan by the end of April and comments were welcome on what should be included. Summaries of national reports available were summarised in the report and Shahida Nasim drew members' attention to the new regime of Comprehensive Area Assessments (CAA), on which the Audit Commission could provide a presentation. The main change of assessment focus was a move away from organisational to area-wide assessment of, for example, how the Council worked with partners. Despite the fact that, under the CAA approach, assessment of the use of resources would be conducted against three themes, as opposed to five, the assessment would in fact be more challenging. Shahida Nasim reported that the Audit Commission had been working with Duncan McLeod (Director of Finance and Corporate Resources) and officers on this, and initial work on assessments would start in April and May. Duncan McLeod reported that the progress report was a working document for officers, and an action plan, and had come to the committee for information and to enable members to oversee delivery of plans.

Asked about the Council's ability to deliver a number of priorities set out in the report, Duncan McLeod informed members that many of the improvements were part of day-to-day working and it should be possible to achieve them.

Members welcomed the idea of a presentation on the CAA, to be scheduled at a future meeting.

RESOLVED:-

- (i) that the report be noted;
- (ii) that an Audit Commission presentation on the new regime of Comprehensive Area Assessments (CAA) be provided for the committee at the earliest opportunity.

7. Internal Audit Plan 2009/10

Members had before them a report from the Director of Finance and Corporate Resources, advising the committee of the proposed Internal Audit Plan for 2009/10. Simon Lane (Head of Audit and Investigations) presented the report and answered questions from members. He reported that this was the first time the draft plan had been brought to the committee. The plan would be delivered through a partnership of the Council's in-house team and Deloitte & Touche Public Sector Internal Audit Ltd, and the report set out how the total number of plan days had been determined, how the plan had been formulated, and proposed monitoring of the plan in the course of the year, as well as the plan itself. Simon Lane reported that it was likely that some work would have to be brought forward from the current year. For example, there were still a number of primary schools yet to complete their Financial Management Standards in Schools (FMSIS) assessments. The Council's significant transformation agenda would also require close attention in the

coming year. Future highlights would also include plans for the new Civic Centre and the introduction of a single finance system.

Asked about differences between the 2009/10 plan and the current year, Simon Lane reported improved service, with Deloitte staff better embedded, and a good response from those who had undergone audits. Answering a question about the management of the number of plan days, Simon Lane reported that days used were not lost, but carried forward, and officers were always looking at ways of maximising the value of the contract. He added that, for various reasons, it was rare to achieve 100% completion of an audit plan.

RESOLVED:

that the report be noted.

8. Third Internal Audit Progress Report 2008/09

Members had before them a report from the Director of Finance and Corporate Resources, summarising the work of Internal Audit since the previous report to the committee on 17 December 2008. Simon Lane (Head of Audit and Investigations) presented the report and answered questions from members. He reported that, at the end of January 2009, a total of 71% of the plan had been delivered, with an end-of-year prediction of 96%. Details of individual audits were set out in the report, and Simon Lane was satisfied that controls were working properly. There had been only one report of a limited assurance opinion, on which significant recommendations had been made. A close watching brief would also be kept on the risks inherent in the introduction of self-directed support in adult social care. Simon Lane reported that a large number of reports were still being discussed with management, to be finalised by the end of the next quarter.

Phil Lawson (Deloitte) informed members that good progress was being made on the 2009/10 plan with a view to achieving a more uniform flow of reports, although inevitably there would be a larger number towards the end of a financial year.

RESOLVED:

that the report be noted.

9. Training for Committee Members

Duncan McLeod (Director of Finance and Corporate Resources) reported that, following the discussion at the previous meeting of the committee, officers had held discussions with an experienced independent training provider to find out what was available. As a result, officers had a number of suggestions, including using practical examples to make training more focussed. The

training session to be held before the next meeting was likely to focus on three areas: a general appreciation of what members needed to look for and how to use their own experience; work on the statement of accounts, possibly using the previous year's as an example; and a look at the annual governance statement.

Duncan McLeod agreed to draw up a proposal in consultation with the Chair and organise dates with a view to getting as many members as possible involved.

RESOLVED:

- (i) that the verbal report be noted;
- (ii) that a training session be organised as outlined in the verbal report.

10. **Any Other Urgent Business**

None.

11. **Date of Next Meeting**

It was noted that the date of the next meeting would be decided at the annual meeting of Council in May 2009

The meeting ended at 8.55 pm

M CUMMINS
Chair