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LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Wednesday 23 March 2016 at 7.00 pm

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

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

None made.

2. **Deputations**

None.

3. **Minutes of the previous meeting**

RESOLVED:

that the minutes of the previous meeting held on 5 January 2016 be approved as an accurate record of the meeting.

4. **Matters arising**

Corporate Risk Register

Steve Tinkler undertook to share LB Hounslow's risk register as previously discussed.

5. **External audit plan 2015/16**

Phil Johnstone and Steve Lucas (KPMG) introduced the External Audit Plan 2015/2016 programme the findings on which would be reported in September 2016. He and drew attention to areas on which the audit would focus including Financial Resilience and the Better Care Fund as it was a new initiative. The accounts had been closed and the outcome would be reported back.

The committee raised questions on the council's level of materiality (which had been set at £12 million, 1.3% of gross expenditure), Oracle and the General Ledger risks. On the materiality level, the committee heard that it was based on the benchmark standard and also on the level of General Funds reserves. Any errors would be reported. The committee also were advised that shared learning was part of the audit regime, focusing on partnership working and value for money.

Regarding Oracle and the general ledger, Phil Johnstone acknowledged the concern over sub systems the main ledger and costs over spilling. The audit would look at findings from past reports and the general ledger on which the spending was based. There was currently no concern over material error however this had been flagged as a risk.

A question was raised on financial resilience and assurances sought on the adequacy of internal systems and processes. Steve Lucas responded stating that the reserves were taken into account, referred to forward plan pressures and highlighted that local government was under pressure and difficult decisions would have to be made. Brent however had a good track record to date. He was not aware of any particular concerns at this stage given the current reserves and financial strategy however consideration would be given to plans from the previous year and the extent to which they were delivered. Additionally, while the borough's population and associated demands were on the increase, the flow of resources was not.

On the adequacy of reserves, Phil Johnstone reiterated that this was primarily a matter for the authority's S151 Officer, the Chief Finance Officer. The external audit would comment if reserves were considered too low.

RESOLVED:

that the content of the external audit plan 2015/16 be noted.

6. KPMG Annual Report on grants and returns work 2014/15

The committee received a report from KPMG summarising work carried out on the council's 2014/2016 grant claims and returns. Stephen Lucas (KPMG) drew attention to incidents of errors in the calculation of self-employed income for benefit purposes and noted that the percentage had decreased from the previous year but remained high. The Chief Finance Officer commented that in view of sums involved, consideration was being given to the value for money of this exercise.

RESOLVED:

that the KPMG annual report on grants and returns work 2014/15 be noted.

7. Action plan to address the Audit findings from 2013/14 subsidy claim

David Oates (Head of Customer Services and Benefits) and Russell Gibbs (Benefits Subsidy and Policy Manager) introduced the report which set out progress on the Action Plan to address Audit findings from the 2013/14 Subsidy Claim which had recommended a detailed review of errors. David Oates was pleased to report that from a sample check, the rate of errors was decreasing and monitoring continued. Analysis of Quarters 1 and 2 revealed issues over decision making and questioning. Quarter 2 also had a number of complaints regarding self-employment claims. This year's audit looked at in excess of 40 cases and revealed further errors, some of which were considered to be avoidable. In the light of this, a fundamental review had taken place and December 2015 saw the start of staff briefings on what was required and the method of recording. Additionally, a bid had

been submitted for central government funding to support a review and intervention on high risk cases.

The committee noted the action plan and the Chief Finance Officers assured that as this was a core part of financial audit, further concerns would be escalated.

RESOLVED:

that the action plan to address the audit findings from the 2013/14 subsidy claim be noted.

8. Changes to arrangements for appointment of External Auditors

The report from the Chief Finance Officer, Conrad Hall, summarised the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits. The Council would need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017. Conrad Hall outlined the pros and cons of the three options available and advised that he would report back in advance of a decision being made.

RESOLVED:

- (i) that the three options available for the appointment of External Auditors be noted:
 - a) Establishing a stand-alone independent Auditor Panel to make the appointment on behalf of the Council;
 - b) Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities; and
 - c) Supporting the Local Government Association (LGA) in setting up a national Sector Led Body by indicating intention to “opt-in”.
- (ii) that it be noted that option (i) (c) above was at this stage the preferred option, but that this does not commit the council at this stage;
- (iii) that it be noted that a further report would be brought to Cabinet in due course confirming the way forward and granting authority for the procurement.

9. Internal Audit and Counter Fraud Progress Report for the period 1 November 2015 – 29 February 2016

Steve Tinkler (Head of Audit and Investigation) introduced the report which provided an update on the progress made against the delivery of the audit plan up to the 29 February 2016. The report further provided key findings and agreed management comments to address areas of control weaknesses. Further, the report also provided a summary of counter fraud work for the first three quarters of 2015/16 including January 2016. Members expressed an interest in hearing more about those recommendations arising from audits where responsible officers continued to fail to respond and update the status of implementation of

recommendations as part of the self-assessment process, and stated they would consider 'calling in' officers who repeatedly fail to respond. The committee was pleased to note the improvement in activity in tackling housing fraud but were concerned over the number of secondary schools with limited assurances. It was noted that the intention was to change the approach to school audits planned in 2016/17 to more thematic based audits. It was felt that school governors should be encouraged to take their roles more seriously and questions were raised on how change behaviour and to ensure that best practice was adhered to.

RESOLVED:

that the progress made in achieving the 2015/16 Internal Audit Plan and the review of fraud work be noted.

10. **Draft Internal Audit Plan 2016/17**

The report from the Chief Finance Officer set out the Draft Internal Audit Plan ("the Plan) for 2016/17 and the basis on which the plan has been formulated. The committee raised questions on the items for inclusion such as a review of key controls of business rates. On income generation and continuity planning, questions were also raised on ways of changing perception towards treasury management. Conrad Hall (Chief Finance Officer) responded that 'asset sweating' was taking place and risks would have to be carefully considered as these could be significant.

RESOLVED:

that the approach taken to formulate the draft plan for the 2016/17 financial year be noted and approval given to the content of the plan.

11. **Strategic risk register**

Steve Tinkler (Head of Audit and Investigation) introduced the risk register in accordance with the terms of reference for the Audit Committee to review the adequacy and effectiveness of the risk management framework within the Council. He drew attention to two new risks which have been escalated to the Strategic Risk Register namely the ability to attract and retain high calibre staff and also the failure by BHP to deliver housing management services and retain housing assets. An additional item for inclusion was suggested namely plans in place for the more sophisticated risk management and Conrad Hall advised that once refreshed, a report should be submitted to Cabinet.

RESOLVED:

that the current Strategic Risk Register (Appendix A to the report from the Chief Finance Officer) noted to assure that included all appropriate strategic risks facing the council and that all necessary and appropriate actions were being taken to safeguard the Council's business and reputation.

12. **Internal audit procurement update (verbal)**

Steve Tinkler (Head of Audit and Investigation) updated the committee on the procurement of a shared internal audit service. The bids had been evaluated

resulting in PWC being appointed as the internal auditor for three boroughs in the shared service.

13. Exclusion of Press and Public

RESOLVED:

that the press and public be now excluded from the meeting as the following report contains the following category of exempt information as specified in the Local Government Act 1972 namely:

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

14. Any other urgent business

BHP Contract

The committee heard from the Strategic Director Community Wellbeing about emerging findings over the BHP Contract which would be reported to Cabinet in June 2016.

15. Date of next meeting

The date of the next meeting would be agreed by the Council's Annual Meeting in May.

The meeting closed at 8.40 pm

D EWART
Chair

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