



MINUTES OF THE AUDIT ADVISORY COMMITTEE

Held on Tuesday 5 December 2017 at 6.30 pm

PRESENT: Mr Ewart (Chair), Mr Sullivan (Independent Member) and Councillors A Choudry (Vice-Chair), Davidson, Nerva, Perrin and Krupa Sheth

Also Present: Councillors Duffy and S Choudhary

1. Apologies for Absence and Clarification of Alternate Members

There were no apologies for absence received.

2. Declarations of Interest

There were no declarations of interest.

3. Deputations

There were no deputations.

4. Minutes of the Previous Meeting

It was **RESOLVED** that the minutes of the previous meeting on 20 September 2017 be approved as an accurate record.

5. Matters Arising

(i) Planning Applications Audit Report

The Chair outlined that this report had been circulated after the previous meeting of the Committee.

(ii) I4B Holdings Ltd – Discussion at the previous meeting

Members felt that the minutes did not fully reflect the nature of the discussion on I4B at the previous meeting. It was put forward that there had been more of a focus than had been recorded on the governance framework through which the Company should operate, and the different mechanisms by which I4B would be accountable to the Council.

The Chair stated that the wording was not in itself inaccurate, and therefore it was not necessary to suggest amendments, rather that the importance of the discussion on governance had not been emphasised clearly enough. It was agreed that it would be suitable for these points to be reflected on record for the minutes of the current meeting. Conrad Hall (the Council's Chief Finance Officer) added that the Company's Business Plan for 2018/19 was presently being drafted and that there would be additional opportunities for Members

to offer their opinions on how the Company's governance framework should operate.

6. External Audit Progress Report

Andrew Sayers (Partner, KPMG - External Audit) introduced the report which provided the Committee with external audit updates since September 2017 and the work planned before the next meeting on 10 January 2018.

He drew Members' attention to the completion of the work on the Housing Benefit Subsidy claim and Teachers' Pension Return which was expected to be certified by 30 November 2017, and added that a report would be provided on the detailed findings at the next Audit Advisory Committee meeting. He also explained that the five objections which related to the payment made to the Council's former Human Resources (HR) Director had not been upheld, and that the decision letters (which set out the external auditor's reasons in detail) had been sent to the objectors individually on the afternoon of the meeting. He added that although the objections had not been upheld he had made three recommendations for improvement. He also specified that the outstanding objection which related to the Lender Option Borrower Option (LOBO) loans remained in the process of being reviewed.

Members requested clarity on the process for how the determination letters to objectors were issued by the external auditor. There were specific questions raised on whether Audit Advisory Committee Members should have sight of the auditor's reasoning for the objections not being upheld, and to what extent the information would be made available to the public. Conrad Hall clarified that there were strict legal restrictions on how the information could be shared. These restrictions flow from the overall legal framework for managing objections to the accounts, rather than because of the particular content of these letters. Conrad Hall added that the restrictions on circulating the letters applied to anyone in receipt of them, therefore including the objectors, and that a breach of these restrictions would potentially constitute a criminal offence. He outlined that information that was already in the public domain on the issue could of course be shared, and that this therefore included the fact that the objections had not been upheld and that recommendations for improvement had been made (as these facts had been disclosed earlier by Andrew Sayers). Conrad Hall added that the Council would consider an additional public response, but would first need to take careful legal advice which it had not yet been possible to do as the determination letters had only been received about three hours before the start of the meeting. Andrew Sayers added that the objectors themselves had a legal responsibility not to share the response, and that the potential criminal consequences of doing so had been made clear to them. A Member of the Committee placed on record their concern at members of the Audit Advisory Committee not being able to access the response even if on a limited or restricted basis.

A question was also raised on whether a final figure on the External Auditor's fees had yet been reached. Andrew Sayers responded that he did not have a figure at the time of the meeting, but would circulate it to members of the Committee as soon as possible.

It was **RESOLVED** that:

- (i) The External Audit Progress Report by noted;
- (ii) An additional summary of information (which could be legally shared) on the determination not to uphold to objections in relation to a payment to the Council's former HR Director, be circulated to Members. The summary would also include guidance on the legal restrictions on sharing the Auditor's full response; and
- (iii) The figure for the External Auditor's fees be circulated to members of the Committee once finalised.

7. **Annual Audit Letter 2016-2017**

Andrew Sayers continued and gave a brief overview of the Annual Audit Letter which summarised the outcomes and key messages that had arisen from KPMG's 2016/2017 audit work at the Council. He referred Members to the report within the agenda pack for further detail on the key information and welcomed any questions.

The Chair noted that the Council's financial resilience was a key focus of the audit work and questioned whether there were any issues that the Committee should be aware of, plus whether it was anticipated that the work 2017/18 audit work would be completed by the statutory deadline. Andrew Sayers responded that the external auditors remained comfortable that the Authority's level of reserves had been set at an appropriate level. He also confirmed that the resources to complete the audit work in 2017/18 were adequate and it was anticipated that the work would be completed on schedule. Conrad Hall agreed that the initial preparatory work for 2017/18 had progressed well and there were no expected issues in order to meet the new deadline for the draft annual accounts of 31 May 2018 (previously 30 June) and of 31 July 2018 (previously 30 September) for the audited accounts.

The Chair placed on record the Committee's thanks and appreciation to both the Council's external auditors and Finance Department for their ongoing work.

It was **RESOLVED** that the report be noted.

8. **Brent Housing Partnership / Housing Management Transformation**

Troy Francis (the Council's Head of Housing Management Customer Services) provided the Committee with an update on the transformation of the Housing Management function provided to the Council's Tenants and Leaseholders. He specified that the report detailed the actions taken since the management agreement with Brent Housing Partnership (BHP) had been ended in April 2017 and then brought back under direct control of the Council in October 2017.

Mr Francis explained that the Housing Management Transformation Board, which consisted of both Brent Council and BHP officers, had been formed to oversee four key objectives on the housing management transformation and delivery of services (outlined under paragraph 3.2 of the report). Members heard specific details on: the progress made on recruitment as several senior managers had now been appointed; and the incorporation of housing requirements into the Council's procurement of a new Customer Relations Management (CRM) system. Mr Francis stressed that the change within the past year had been challenging, particularly due

gaps in management capacity and extensive levels of staff turnover. However he specified that the new operating model was still planned to go live on 1 July 2018 after a wide-ranging consultation with relevant stakeholders. Conrad Hall added that the report had been produced for the Council's Audit Advisory Committee to fulfil the monitoring role previously fulfilled by BHP's own Audit Committee.

A Member noted that Brent was not unique in bringing Arm's Length Management Organisations (ALMOs) back under direct Council control and questioned if any comparisons or benchmarking had been undertaken with Authorities in a similar position. Troy Francis responded and stated that the Housing Management Transformation team were aware of the need for strategic alignment and would seek to draw upon both internal and external expertise throughout the transition process. Carolyn Downs (the Council's Chief Executive) added that BHP had benchmarked performance in various areas (such as voids and customer satisfaction) and had continued to do so since housing management services were brought under the Council's direct control. She explained that the performance data was now being recorded more accurately by the Council and that, although this might mean that the new statistics appear less positive initially, it would enable performance to be monitored more efficiently going forward. It was felt that it was presently too soon to benchmark with similar Authorities or organisations but this could be assessed in six months to a year's time.

(Councillor Davidson joined the meeting at 7.00pm.)

Questions also arose on whether there would be any financial risk to the Council if certain properties needed to be refurbished to a higher standard, and whether any subsequent budgeting problems might arise from this. Carolyn Downs stated that financial due diligence had been undertaken before the transfer of properties and that there did not appear to have been any wide-ranging financial risks. She noted that issues on fire safety had obviously needed to be addressed in the wake of the Grenfell Tower tragedy and that the Council had undertaken fire safety checks on all of its high rise tower blocks. Members heard that the additional costs for the planned fire safety improvement works had recently been approved by Cabinet.

A Member of the Committee noted the levels of staff turnover as part of the transformation and expressed surprise at the proportion (45%) of agency staff within the service. It was questioned if the Council aimed to reduce this level and ensure more staff members were permanently contracted. Carolyn Downs explained that the Council wanted as many staff on permanent contracts as possible. She said that Brent had immediately sought to regularise contracts of BHP staff and offer permanent contracts to agency workers during the transition. She outlined that whilst many staff members took up this offer, a lot of staff also chose to move on and the recruitment process remained ongoing to bring the service up to full capacity in time for the launch of the new operating model.

The plan to deliver £1million in savings for the Housing Revenue Account (HRA) was referenced and it was questioned what the rationale behind this figure had been. Conrad Hall stated that the original Cabinet decision to bring housing management services back in-house was predicated on the potential for the Council to make savings. He ran through the potential avenues for this, such as: savings on back-office or administrative costs; a reduction in senior management costs; and an array of Company secretariat functions no longer being necessary.

Troy Francis added that investments in technology, such as through the procurement of a CRM system, would also assist with the realisation of efficiencies.

It was **RESOLVED** that the report be noted.

9. **Brent Housing Partnership - Summary of Audits Reports Issued 1 April 2016 to 31 August 2017**

Michael Bradley (the Council's Head of Audit and Investigation) introduced the report which provided an overall summary of the internal audit reports issued to the BHP Audit Committee from 1 April 2017 to 31 August 2017. He directed Members' attention to the table within the report (under paragraph 3.1) which highlighted that, of the 11 internal audit reports over this time period, six had provided 'reasonable' assurance and five had provided 'limited' assurance. He explained that the reports provided a 'snapshot' of the controls in place at specific times and progress on the recommendations made to address the audits which had only provided 'limited' assurance. He explained that the Council's Internal Audit team had followed up on whether the recommendations to rectify these areas had been implemented, and the findings were also detailed within the report.

Members commented that it was clear a lot of work had been envisaged as part of the recommendations, but that the implementation appeared to be slow. It was also requested that a list which provided an update on progress be provided at the Audit Advisory Committee's meeting in March 2018.

It was **RESOLVED** that:

- (i) The report be noted; and
- (ii) A further update report be brought back to the Audit Advisory Committee at its meeting on 20 March 2018.

10. **Anti-Fraud and Bribery Policy 2017 and Anti-Money Laundering Policy 2017**

Michael Bradley continued and outlined that he would combine his overview of the new proposed Anti-Fraud and Bribery Policy 2017 and Anti-Money Laundering Policy 2017.

He began with a brief summary of the new Anti-Fraud and Bribery Policy 2017, which had last been amended in 2014, and notified Members that the Council would be undertaking a fraud awareness drive in early 2018. He also explained that the new Money Laundering Regulations came into statute in June 2017 and the new proposed Anti-Money Laundering Policy set out the Council's response. He noted that the policy had been drawn to ensure that the Council was compliant and protected itself from any threat of money laundering.

Members welcomed the proposed policies and questioned how it was envisaged for the detail to be shared with stakeholders such as: officers, Members and residents. Michael Bradley said that the establishment of the policies themselves had been the starting point and that a publicity and communications strategy would be developed in due course. Discussions ensued on the different methods to spread information about the policies, which included: awareness raising with the Council's

tenants and leaseholders; fraud awareness workshops; e-learning for Council staff; information publicised on the Council's intranet; and scheduled discussions at resident engagement forums such as Brent Connects. In response to an additional question about how the borough's schools would be made aware of the policies, Michael Bradley stated that schools would be factored into the awareness raising programs to assist in managing the specific risks that schools faced. He said that the mechanisms for safely reporting fraud and whistleblowing would also be made clear to all stakeholders.

It was **RESOLVED** that:

- (i) Subject to all staff job titles being corrected within the corporate framework section, the Anti-Fraud and Bribery Policy 2017 be noted and approved;
- (ii) The Anti-Money Laundering Policy 2017 be noted and approved; and
- (iii) A publicity and communications strategy be developed to ensure that officers, Members and residents were made aware of the new policies and the provisions within them.

11. **Any Other Urgent Business**

The Chair outlined that he had received a request for an urgent item from Councillor Perrin entitled 'Public Questioning of Brent's Probity in Planning' but that he would not be using his discretion as Chair to add the item to the agenda on this occasion. He explained although matters raised on proposed amendments to the Planning Code of Conduct may be relevant at a future meeting, Members would not have had adequate time consider the issue at the present meeting.

It was **RESOLVED** that a report on the proposals to amend the Planning Code of Conduct would be present at the meeting of the Audit Advisory Committee at its meeting on 10 January 2018.

12. **Paddington Cemetery Groundworks**

Michael Bradley introduced the report which set out a summary of the findings from an internal audit investigation into the procurement of landscaping work at Paddington Cemetery in 2010. Members heard that the investigation had been conducted in light of the discovery of asbestos contamination at the Cemetery. He stated that the review examined procurement procedures within the Cemeteries service at the time the work was undertaken in 2010 and had concluded that the procedures had been inadequate. Members heard that the review had also set out recommendations for the Council's senior management to urgently review procurement processes particularly in the cemeteries service and consider the best course of remediation action to proportionately mitigate the soil contamination identified.

Chris Whyte (the Council's Operational Director of Environment Services) emphasised that the Council had undertaken remediation work to ensure that the issues identified were solved. He outlined that the deficiencies in the Council's procurement processes would be addressed and that a specialist excavation investigation of the site had found that the contamination was very low risk and

could be properly contained. He re-iterated that the Council sought to offer a clear assurance that the site was safe and that the Council remained focused on the issues being rectified moving forward.

As a result of the discussion on the report moving to focus on information classified as exempt, it was agreed that the remainder of the meeting should be conducted in a closed session.

13. Exclusion of Press and Public

It was **RESOLVED** that the press and public be excluded until the end of the meeting as the remainder of the discussion on the Paddington Cemetery Groundwork item contained exempt information, as defined under paragraph 3 of Part 1, Schedule 12A of the Local Government Act 1972.

14. Paddington Cemetery Groundwork (continued)

The Chair invited Councillor Duffy to speak on the Paddington Cemetery Groundworks report. Councillor Duffy addressed the Committee and further discussion followed on the points raised. The Committee were reminded by the chief finance officer of the independence of the internal audit service. The Chair stated that the key was assurance for both the Committee and residents about the site moving forward and ensuring that the issues identified within the report had been fully addressed.

It was **RESOLVED** that:

- (i) The report, its findings and remediation actions taken by the Council be noted;
- (ii) Councillor Duffy and Michael Bradley would meet to discuss information about the investigation; and
- (iii) Subject to the general obligations contained within Paragraph Six of the Members Code of Conduct being upheld, Councillor Duffy be authorised to take away a hard copy of the restricted report.

The meeting was declared closed at 8.03 pm

DAVID EWART
Chair