



## **Audit and Standards Advisory Committee**

**Wednesday 24 April 2019 at 6.00 pm**

Boardrooms 7&8 - Brent Civic Centre, Engineers Way,  
Wembley HA9 0FJ

### **Membership:**

#### **Members**

David Ewart (Chair)

Councillors:

A Choudry (Vice-Chair)  
Donnelly-Jackson  
Kansagra  
Naheerathan  
Nerva

#### **Substitute Members**

Councillors:

Kabir, Lo, Long, and Stephens

Councillors:

Colwill and Maurice

#### **Independent Members**

Margaret Bruce  
Robert Cawley  
Karen McArthur

#### **Independent Advisor**

Vineeta Manchanda

**For further information contact:** Kunwar Khan, Governance Officer, Tel: 020 8937 2037; Email: [kunwar.khan@brent.gov.uk](mailto:kunwar.khan@brent.gov.uk)

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**The press and public are welcome to attend this meeting**

### **Notes for Members - Declarations of Interest:**

If a Member is aware they have a Disclosable Pecuniary Interest\* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest\*\* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

### **\*Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences**- Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

### **\*\*Personal Interests:**

The business relates to or affects:

- (a) Anybody of which you are a member or in a position of general control or management, and:
  - To which you are appointed by the council;
  - Which exercises functions of a public nature;
  - Which is directed is to charitable purposes; and
  - Whose principal purposes include the influence of public opinion or policy (including a political party or trade union).
- (b) The interests of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

Or

A decision in relation to that business might reasonably be regarded as affecting the well-being or financial position of:

- You yourself;
- A member of your family or your friend or any person with whom you have a close association or any person or body who is the subject of a registrable personal interest.

# Agenda

Introductions, if appropriate.

Item	Page
<b>1 Apologies for absence and clarification of alternate members</b>	
<b>2 Declarations of Interest</b>	
Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.	
<b>3 Deputations (if any)</b>	
To hear any deputations received from members of the public in accordance with Standing Order 67.	
<b>4 Minutes of the previous meeting</b>	1 - 10
To approve the minutes of the previous meeting as a correct record.	
<b>5 Matters arising (if any)</b>	
To consider any matters arising from the minutes of the previous meeting.	
<b>STANDARDS ITEMS:</b>	
Please note that there are no standards item for this meeting.	
<b>AUDIT ITEMS:</b>	
<b>6 External Audit Progress Report and Sector Update</b>	11 - 32
The paper provides the Audit and Standards Advisory Committee with a report on progress in delivering Grant Thornton's responsibilities as the Council's external auditors. It also includes a summary of emerging national issues and developments that may be relevant to Brent as a local authority.	
<b>7 Annual Governance Statement</b>	33 - 48
The paper presents the Annual Governance Statement for consideration, prior to formal approval.	

## 8 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or his representative before the meeting in accordance with Standing Order 60.



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.



## MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE Wednesday 20 March 2019 at 6.00 pm

### PRESENT:

Mr Ewart (Chair), Councillors A Choudry (Vice-Chair),  
Donnelly-Jackson and Nerva.

**Independent Members:** Sheila Darr and Karen McArthur

**Independent Advisor:** Vineeta Manchanda

**Also Present:** Councillor S Choudhary, Nigel Shock (Independent Person) and William Goh (Independent Person).

### 1. **Apologies for absence and clarification of alternate members**

The following apologies for absence were received:

- Councillor Kansagra
- Councillor Naheerathan
- Margaret Bruce (Independent Member)
- Robert Cawley (Independent Member)
- Kier Hopley (Independent Person)

### 2. **Declarations of Interest**

In relation to Agenda item 12 - London Counter Fraud Hub, David Ewart (Chair) declared a personal interest as he was a former Director of Finance at Ealing Council, and currently a CIPFA Member.

### 3. **Deputations (if any)**

There were no deputations.

### 4. **Minutes of previous meetings**

**RESOLVED** that the minutes of the Audit and Standards Advisory Committee, held on 5th February 2019, be approved as an accurate record.

5. **Matters arising (if any)**

In relation to the Minutes of the Audit and Standards Advisory Committee, held on 5 February 2019, it was NOTED:

**Minute 14 - Counter Fraud Quarterly Progress Report 2018/19**

That Michael Bradley would arrange to recirculate the response provided on the request for additional information regarding the investigation of cases involving Blue Badge Fraud.

On the subject of informing the LGA about the cost of prosecuting the cases of Blue Badge fraud vis-à-vis what the defendants had been sentenced to pay, Michael Bradley (Head of Audit and Investigations, Brent Council) advised that whilst this could be explored there was a need to recognise that the level of fines imposed were matters relating to the wider sentencing regime within the criminal justice system and as such were beyond the immediate remit of the LGA.

**Minute 17, Meeting between Chair, Vice-Chair and Independent Members.**

The Chair advised that he would look to progress this outside of the meeting.

**Minute 19, Independent Advisor to the Committee**

The Chair was pleased to announce and welcome Vineeta Manchanda as the newly appointed Independent Advisor to the Committee.

**Minute 19, Lender Option Borrower Option Loans (LOBO)**

The LOBO briefing note had been well received by Councillors and would also be provided for the Independent Members. In terms of the objection to the Council's Accounts, Members were advised that an update was expected shortly from KPMG which once available, would be shared with the Committee.

6. **Annual Review of the Member Development Programme and Members' Expenses**

The Committee received a report from Thomas Cattermole (Head of Executive and Member Services, Brent Council) providing a summary of the Member Development Programme since May 2018 and details of the Members' Expenses Scheme.

The Committee noted the update provided on delivery of the Member Development Programme including the number and range of sessions along with attendance at each event (as detailed in Appendix 1 & 2 of the report).

The programme had included for the first time a "Be a Councillor" event run prior to the local elections, which had been well attended and received. The content of the Member Learning and Development sessions had been supported by a Member Needs Analysis Programme which had helped shape the Member Learning &

Development Strategy and Programme. In addition, the Committee noted the successful retention by the Council of the Member Development Charter Plus Award (Gold Standard). Development of the programme was overseen by a Member Learning and Development Steering Group which not only kept the training offer under review but also monitored attendance and provided cross-party ownership of the process. Feedback had also been sought from Members, with the results being used to assist in identifying future learning and development needs. Details on the Members Need Analysis Programme had been set out in Appendix 4 of the report with the final assessment in relation to the Charter Plus Award provided in Appendix 5 of the report.

The Committee welcomed the report which also provided an overview in relation to Members Expenses claimed during 2017-18

During the discussion, the following points were noted:

- Concerns were highlighted in relation to variation between attendance rates for individual councillors at Member Learning and Development sessions. Whilst attendance levels at sessions had been encouraging and with the exception of certain sessions attendance was not mandatory, the Committee noted that not all councillors had engaged in the process and were keen to ensure that attendance continued to be monitored through the Steering Group and encouraged via the Groups. It was noted that non-attendance at mandatory sessions would be taken up via the Political Groups;
- In terms of development and engagement in the Learning and Development offer available, Members were keen to explore how this could be extended beyond the Steering Group to involve a wider group of councillors and ensure details were circulated as widely as possible on all sessions available. As an example reference was made to a recent session, held about key parking issues, which whilst extremely informative had not been well attended;
- In terms of wider issues raised in relation to Members Attendance, the Committee noted the need to recognise the wider representational role played by members which it was felt would not be fully reflected in terms of their attendance record at formal committee meetings or Learning and Development Sessions. As an example there was also a need to reflect on time spent on task groups, regular surgeries and other ward related and case-work activities with attendance alone not necessarily a complete indicator of gauging the overall performance of Members. It was, however one of a range of important factors, with the Committee, therefore, keen to ensure monitoring continued via the appropriate Group mechanisms; and
- The range of Learning and Development opportunities available also included a number of external events and conferences although the Committee recognised that courses and training events that involved an overnight stay or long distance travel would not always be suitable for people with child-care and other similar responsibilities. In these cases, Members were keen for alternative options to be considered/provided, wherever possible. In response, Thomas Cattermole (Head of Executive and Members Services, Brent Council) indicated that the Council operated a needs-based training and development approach. It endeavoured to host local courses and events to

provide suitable opportunities and best value for money. In terms of requests for the programme to include Disability Awareness, as well as Mental Health training he advised these sessions had already been identified for inclusion within the programme for 2019/20.

As no further issues were raised the Chair thanked officers for the comprehensive nature of the report.

**RESOLVED** that:

- (1) To note the work being undertaken by the Member Learning and Development Steering Group in ensuring effective training and development for Brent's elected representatives which responded both to the Council's corporate priorities and councillors' individual training needs.
- (2) In view of comments raised at the meeting, the Committee supports the wider monitoring of Member attendance via appropriate Group mechanisms with details of the existing monitoring details on the Council's website to be made as prominent as possible.

#### 7. **Annual Standards Report (including a quarterly update on Gifts & Hospitality)**

The Committee received a report from Debra Norman (Monitoring Officer and Director of Legal & HR, Brent Council) who presented the Monitoring Officer's Annual Report to the Audit and Standards Advisory Committee for 2018. The report included an update on Member conduct issues, work of the Audit and Standards Advisory Committee, the Audit and Standards Committee and the Monitoring Officer during 2018.

The report included updates relating to the following categories:

- The Audit & Standard Advisory Committees work during 2018 following the merger between the Audit Advisory and Standards Committee;
- Complaints against Members - The Committee was pleased to note the outcomes in the cases referred to as well as the relatively low level of complaints received;
- Gifts & Hospitalities registered by Members from Dec 18 – 8 March 19 (as detailed in Appendix 1 of the report);
- Two Monitoring Officer Advice Notes (MOANs) issued; and
- Consultation Outcome from the Committee on Standards in Public Life - with a summary of the recommendations against the Council's current practice detailed in Appendix 3 of the report.

In response to a query, the Monitoring Officer undertook to provide information about the indemnity status for Independent Members of the Committee.

David Ewart (Chair) thanked the Monitoring Officer for a comprehensive report.

**RESOLVED** that the Committee notes the content of the report.

## 8. **Draft Internal Audit and Investigations Annual Plan 2019/20**

The Committee received a report from Michael Bradley (Head of Internal Audit and Investigations, Brent Council) which set out the draft Internal Plan for 2019/20, and also provided the basis on which the plan has been prepared.

The Committee noted that the Plan had been based on the assessment of departmental and corporate risks and had been designed to provide assurance on the adequacy of the Council's governance, risk management and internal control framework. In addition, the report had also provided details on the planned allocation of investigation resources.

David Ewart (Chair) stated that this was an important piece of work and invited comments and feedback from the Committee on the draft Plan.

The following comments were highlighted in relation to the items identified within the Plan:

- Audit 6 (Voluntary Sector Funding) - Members enquired about planned consultation with the voluntary sector in terms of their views on the funding allocation process, capacity to deliver, and outcomes, in terms of the various grant funding available. In response, Michael Bradley (Head of Internal Audit and Investigations, Brent Council) stated that the level of engagement with voluntary sector organisations would need to be determined as part of the development of the scope for the audit. Carolyn Downs (Chief Executive, Brent Council) also took the opportunity to remind the Committee that the Internal Audit process had been designed to focus on the control environment and safeguards in place for effective corporate monitoring, rather than wider policy issues such as the access to funding. She informed the Committee that Peter Gadsdon (Director Performance Policy & Partnerships, Brent Council) was undertaking a full review of voluntary and community sector needs and support with a report due to be presented to Cabinet in April 2019.
- Peter Gadsdon also assured Members that any grant awarded would be based on a clear contract agreement which was carefully monitored against targets.
- Audit 8 (Prevent) - Members advised they would be keen to include an assessment on how far the Prevent programme was now embedded within Brent's Corporate Strategies. In response, Michael Bradley advised that he would be happy to provide the Committee with further detail on the scope of the audit; and
- In relation to the update on the draft investigations and Counter Fraud Plan, David Ewart (Chair), drew the Committee's attention to the allocation of resources detailed within Appendix 2 of the report which highlighted 85% being focused on external fraud mitigation.

David Ewart (Chair) thanked officers for the update and it was **RESOLVED** to approve the content of the 2019/20 Internal Audit Plan (as set out in Appendix A of the report).

## 9. **Annual Report and Certification of Grants and Returns 2017/18**

The Committee received a report from KPMG summarising the results of their work carried out on the Authority's 2017/18 grant claims and returns. It included the work KPMG completed under the Public Sector Audit Appointment (PSAA) certification arrangements, as well as the work completed on other returns under separate engagement terms.

As it had not been possible for a representative from KPMG to attend the meeting, Conrad Hall (Chief Finance Officer, Brent Council) advised that he would deal with any questions the Committee may have on the report and if not able to respond would arrange for KPMG to provide a written response.

In relation to the findings and recommendation relating to the Housing Benefit Subsidy Claim, the Chair felt that it would be appropriate to request a future update from the Internal Audit team rather than KPMG on the actions taken to address the issue. Concerns were also raised by Members about the increased fee charged by KPMG for the certification work, although it was recognised that this was prescribed and very little could, therefore, be done about it at this stage.

**RESOLVED** that:

- (1) The Committee agrees to accept and note the report.
- (2) An update be requested from Internal Audit on the actions undertaken to address the findings and recommendations made by KPMG in relation to the Housing Benefit Subsidy Claim.

## 10. **Review of the Use of the Regulation of Investigatory Powers Act (RIPA) Powers in 2018**

The Committee received a report from Debra Norman (Director of Legal and HR Services, Brent Council) reviewing the Council's use and conduct of covert surveillance techniques when investigating serious criminal offences relying on the powers made available to local authorities in Part II of the Regulation of Investigatory Powers Act 2000 (RIPA). Included as part of the report were:

- The latest version of Brent Council's RIPA Policy and Procedures (Appendix 1);
- A Guidance note provided for all staff on the use of Social Media and Internet (Appendix 2);
- Protocol for the use of Brent Public CCTV Systems for Surveillance (Appendix 3); and
- OSC Inspection Report (November 2016).

The Committee noted the update provided in relation to use of RIPA powers along with the control measures in place. At first, directed surveillance or the use of a CHIS had to be assessed in detail and authorised in writing internally by a senior officer keeping necessity and proportionate factors in mind. Subsequently, it had to be approved by a magistrate before the authorisation takes effect. In addition, there was an additional internal 'oversight' by the Council's Monitoring Officer, who also acted as the Council's Senior Responsible Officer (SRO) for the purposes of the Home Office codes of practice.

The Committee was made aware that the Council's use of its RIPA powers was also overseen externally by the Investigatory Powers Commissioner (IPC), formerly the Office of Surveillance Commissioners (OSC). Inspections on the Council's use of RIPA were undertaken every two to three years. The most recent Council inspection was on 8 November 2016 with details provided in Appendix 4 of the report. As a result of the review the Chief Surveillance Commissioner wrote to the Council's Chief Executive acknowledging that the inspector considered the Council's policy and procedure document to be "*excellent*". Describing the Council's standards as "*impressive*" and noting that "*the attitude of the Council to the need for training and awareness is sensible and far sighted*". No formal recommendations were made but "*some suggestions were offered for 'fine tuning'*" - all of which had been actioned.

In response to a query, Debra Norman responded that these powers had not tended to be used to tackle issues regarding the sale of knives. The focus to date had been on alcohol and tobaccos sales.

David Ewart (Chair) thanked officers for the detailed report.

**RESOLVED** that:

- (1) The Committee note the contents of the report which set out the arrangements to ensure compliance with RIPA and the statutory Codes of Practice.
- (2) The Committee note no significant policy changes had been recommended as a result of the current review.

## 11. **Corporate Risk Register Update**

The Committee received an updated Corporate Risk Register from Michael Bradley (Head of Internal Audit and Investigations, Brent Council) following a review of the effectiveness of the Risk Management approach and a series of workshops with departmental management teams.

In accordance with the terms of reference for the Audit and Standards Advisory Committee, the report was presented to '*enable the Committee to monitor the effective development and operation of risk management and corporate governance in the Council.*'

David Ewart (Chair) highlighted the importance in the regular and ongoing monitoring process involving the Committee noting that the risks identified in the

report would be supported by more detailed descriptions and actions at departmental levels.

During the discussion, the following key points were noted:

- Members were supportive of the overall methodology being used to assess risk and felt the heat map was very useful. It was suggested, however, that in addition to impact and likelihood a third element be included as part of any assessment relating to the extent of control and influence over the issue identified. In response Michael Bradley advised that these were issues taken into account as part of the assessment process within the consequences identified in relation to each risk materialising;
- In relation to Risk M (consultation with Brent's Communities), the Committee highlighted the need for this to reflect the impact in relation to community cohesion, which it was agreed would be clarified further;
- In response to a query about the format of the information, it was clarified that the Council considered the score and mitigation factors as part of the overall assessment process but the detail was not generally reported at this more strategic level. As the published version of the register had some parts of the text cut off at the bottom of each page it was agreed that a revised version of the complete document would be re-circulated for members following the meeting;
- The Committee felt that distinguishing between budget overspend and savings not achieved as risks was useful;
- In relation to Risks N & O relating to the Brexit - the Committee noted the work being undertaken via a cross Council Working Group to ensure the risks identified were subject to ongoing monitoring and assessment. Carolyn Downs (Chief Executive) also highlighted the work being co-ordinated at a pan London level via London Council's; and
- In relation to Risk E (Recruitment and Retention), details were sought on the number of "hard to fill" posts across the Council. In response, Carolyn Downs (Chief Executive) advised that key areas of the focus remained Children social workers and also Town Planners, Building Control Officers and Planning lawyers and highlighted the specific mitigation measures that had been established in an attempt to address the recruitment and retention of staff in these areas. A request was made that information about the Corporate Risk Register as well as 'hard to recruit and retain' posts should be included in the Members' Bulletin with brief information and links to relevant documents.

Members welcomed the report, which they felt should be made available on a wider basis to all members via either the Members Bulletin or other appropriate links.

**RESOLVED** that:

- (1) The current corporate risk register and heat map included at Appendix A to the report be noted.

- (2) In addition to making the report available to all Members', attention be drawn to the revised Risk Register as part of the next update provided by the Vice-Chair on the work of the Committee at Full Council.

## 12. **London Counter Fraud Hub**

The Committee received the report on the 'London Counter Fraud Hub' from Conrad Hall (Chief Finance Officer, Brent Council) which highlighted that the Council was considering entering into a contract as a Participating Authority, with the final award of a contract to be by way of an individual Cabinet Member decision.

The Committee noted the financial implications relating to the proposed decision, which David Ewart (Chair) felt represented a sensible proposal indicating clear finances and good risk analysis with mitigation.

**RESOLVED** that the Committee note the information provided and that on the basis of the comments from the Committee, the Deputy Leader (Portfolio Holder for Finance) proposed to make the following decisions:

- (1) The Council joins the London Counter Fraud Hub as a participating authority through the collaborative contract let by the London Borough of Ealing and awarded to CIPFA Business Ltd ("the Agreement.");
- (2) The Council authorises the provision to the Hub of council data to CIPFA for the purposes of preventing and detecting fraudulent or erroneous activity; and
- (3) The council notes that the contract would be for a period of seven years without break clauses.

## 13. **Internal Audit External Quality Assessment update**

The Committee received an update on the external assessment of internal audit from Michael Bradley (Head of Internal Audit and Investigations, Brent Council). This was conducted during October 2018 in accordance with Standard 1312 of the UK Public Sector Internal Audit Standards (PSIAS). The principal objective of the assessment was to assess the internal audit's conformance to the PSIAS. In response to a query, it was noted that 'Conformed' was the highest possible rating in this area.

The outcome of the assessment reflected a professional and successful Internal Audit service and demonstrated a good level of compliance with the PSIAS. The service had a high degree of independence, in fulfilling the definition of internal auditing and was judged to be 'Generally Conformed'.

David Ewart (Chair) thanked officers for the report and noted the ongoing work being undertaken to progress the actions identified in relation to Item - 1220, Due Professional Care as highlighted in the Action Plan detailed in Appendix A of the report.

**RESOLVED** that:

- (1) The Committee note the content of the report.
- (2) A further update on progress in completing the improvements identified within the Action Plan be provided to the Committee at its meeting in July 2019.

14. **Update on Financial and Procedural Rules Governing the Mayor's Charity Appeal**

The Committee received a report from Debra Norman (Monitoring Officer and Director of Legal & HR, Brent Council) on the recommended changes to be made to the financial and procedural rules for governing the Mayor's Charity Appeal.

David Ewart (Chair) felt that the approach identified was sensible and represented best practice with clear rules needing to be clarified in relation to the operation of the Charity.

On this basis, it was **RESOLVED** that the Committee note and recommend the contents of the report and the proposed changes relating to the financial and procedural management of the Mayor's Charity Appeal as set out in Appendix One of this report to the Audit & Standards Committee for formal adoption.

15. **Forward Plan and Agenda for the next meeting**

The Committee **RESOLVED** to note the content of the Forward Plan.

16. **Any other urgent business**

David Ewart (Chair) announced that it was the last meeting of Sheila Darr (Independent Member) as she had decided to step down as a co-opted member of the Committee. On behalf of the Committee, Mr Ewart thanked Ms Darr for her engagement and service to the Committee, Ms Darr thanked the Committee for their kind words and support over the years and stated that she now wanted to focus on other issues closer to her heart. She wished everyone well for the future.

The meeting closed at 7.15 pm.

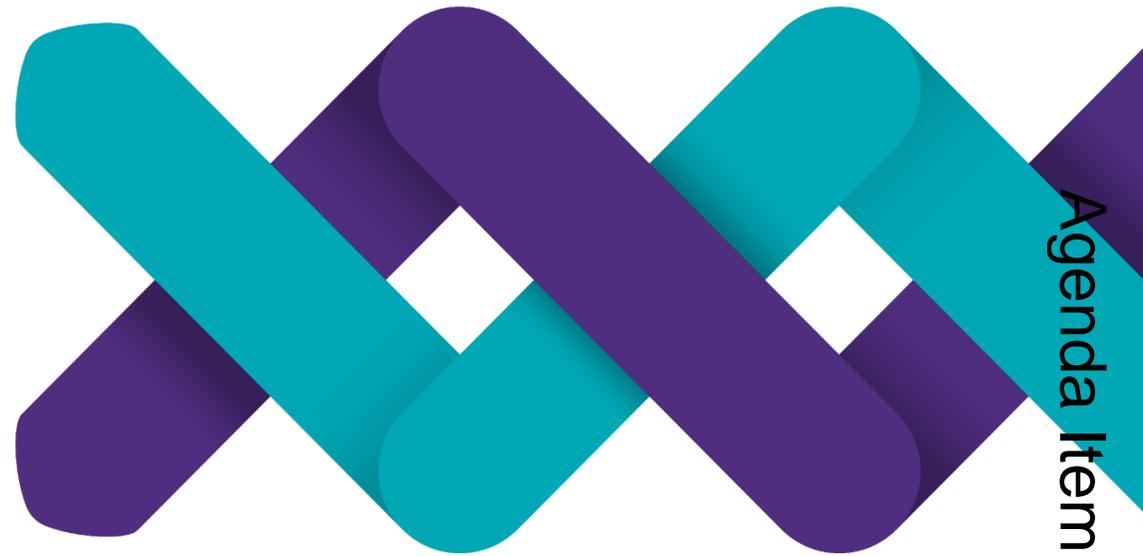
David Ewart  
Chair

# Audit Progress Report and Sector Update

## Brent Council

Year ending 31 March 2019

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# Introduction



**Paul Dossett**

**Engagement Lead**

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This paper provides the Audit and Standards Advisory Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit and Standards Advisory Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Paul or Sophia.

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**Sophia Brown**

**Engagement Manager**

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## PSAA Contract Monitoring

Brent Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, [www.psaa.co.uk](http://www.psaa.co.uk).

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

# Progress at April 2019

## Financial Statements Audit

We have completed planning for the 2018/19 financial statements audit and issued a detailed audit plan (presented to the Audit and Standards Advisory Committee in February), setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We carried out our interim visits in February and March. Our interim fieldwork included:

- Updated review of the Council's control environment
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Controls testing
- Early substantive testing

There are no issues that we need to bring to the Committee's attention from the work we have completed to date.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We are discussing our plan and timetable with officers.

The final accounts audit is due to begin on 30 May with findings reported to you in our Audit Findings Report. We will present our report at the July Audit and Standards Advisory Committee meeting and issue our audit opinion by the 31 July deadline.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan. We identified one significant Value for Money Risk in relation to financial outturn and sustainability and are currently carry out our audit work on this.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 has not yet started. We will agree our overall project plan for completing this work with officers.

### Meetings

We met with your CFO in March as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our sector update section of this report.

# Audit deliverables

2018/19 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2018/19.	April 2018	Issued
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit and Standards Advisory Committee setting out our proposed approach in order to give an opinion on the Council's 2018/19 financial statements.	February 2019	Issued
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Issued
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit and Standards Advisory Committee.	July 2019	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2019	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2019	Not yet due

# Results of Interim Audit Work

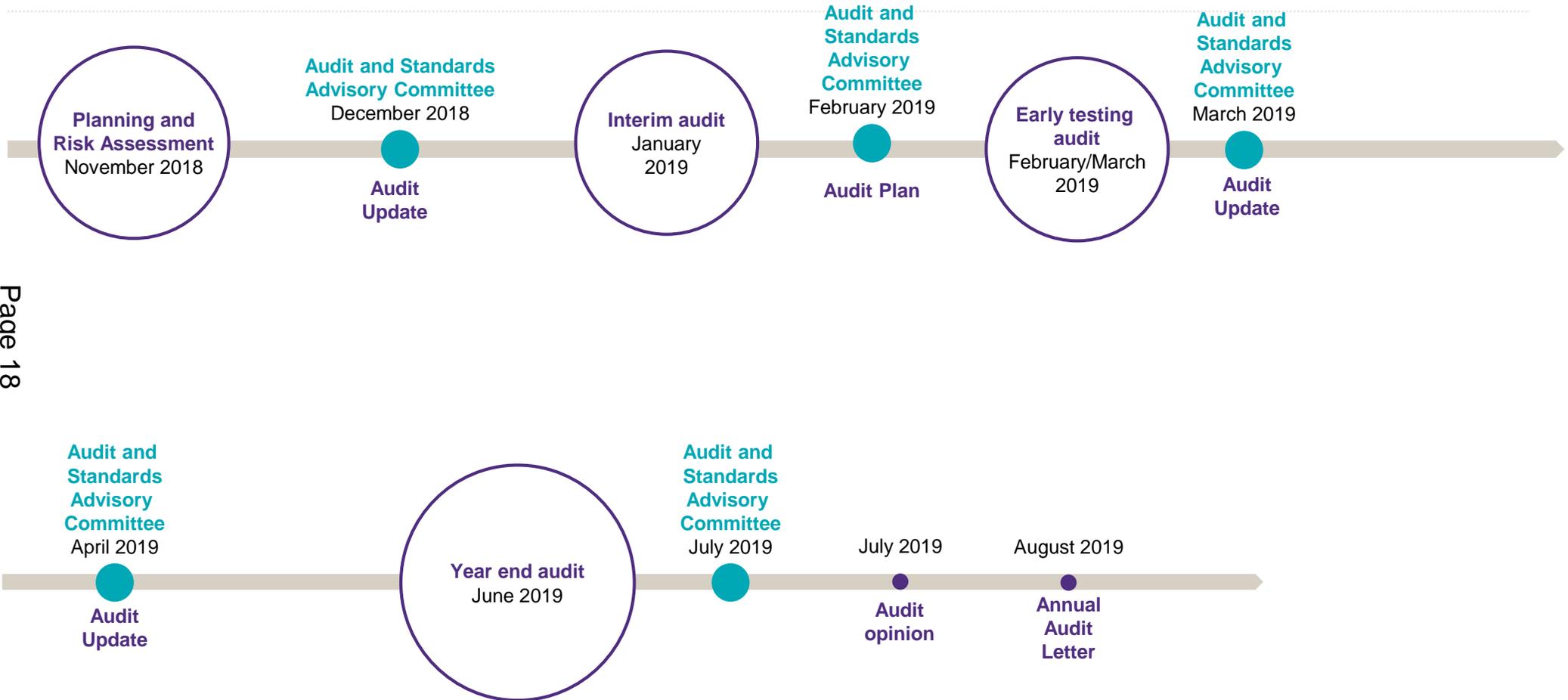
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

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	<b>Work performed</b>	<b>Conclusions and recommendations</b>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Controls testing</b>	<p>We performed testing of the operating effectiveness of key controls on those information systems where we had identified a reasonably possible risk of material misstatement to gain assurance about this and to reduce the amount of substantive testing performed on the financial statements.</p> <p>We tested controls around operating expenditure, including specifically controls around direct expenditure forms and controls in the Mosaic system for social care payments.</p>	<p>Our work identified that the key controls tested in relation to operating expenditure were operating effectively for months 1 to 12 and we are able to reduce the amount of substantive testing on these areas as a result.</p>
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first ten months of the financial year, by extracting 'unusual' entries for further review.</p>	<p>Our testing in this area is ongoing and we are working with officers to complete the early journals work before we commence the year end audit.</p> <p>During the year end audit we will carry out journals testing for the remaining two months of the year, along with testing of adjustment journals.</p>
<b>Early substantive testing</b>	<p>We have carried out the following early substantive testing:</p> <ul style="list-style-type: none"> <li>• Agreement of opening trial balance amounts</li> <li>• Substantive analytical review of payroll expenditure and rental income for months 1-10</li> <li>• Detailed testing of non-pay operating expenditure, including schools and HRA expenditure, for months 1-10</li> <li>• Detailed testing of other revenues for months 1-10</li> <li>• Review of exit packages for months 1-10</li> <li>• Detailed testing of welfare benefit transactions for months 1-10</li> </ul>	<p>Our work on other revenues is still in progress, we await supporting evidence for 13/20 items.</p> <p>Our work on HRA expenditure is currently in progress.</p> <p>Our early work on all other areas is complete and we have not identified any issues which impact on our audit approach or require reporting to you.</p>

# Planned 2018/19 audit timeline



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# Sector update

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Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit and standards advisory committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

# Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

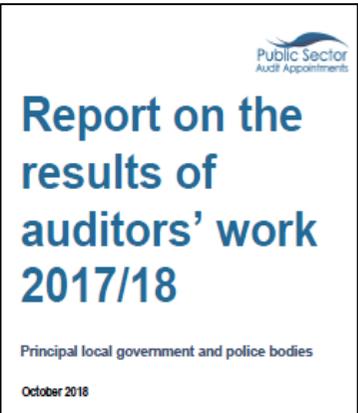
- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

PSAA Report



# National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

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Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

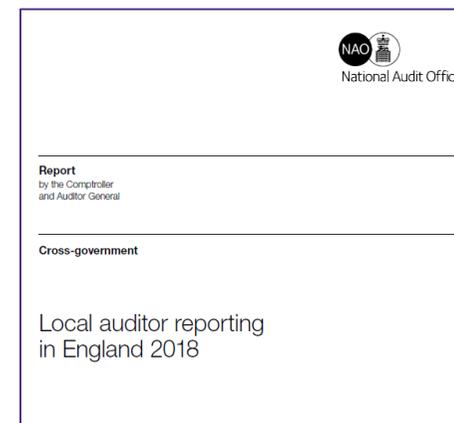
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



NAO Report



# National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

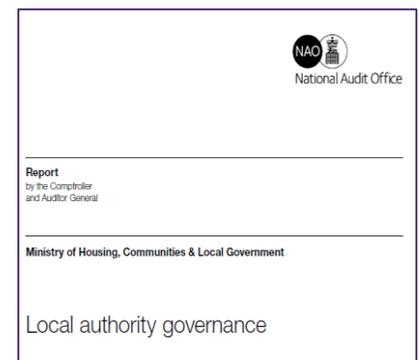
- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

## NAO Report



# CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

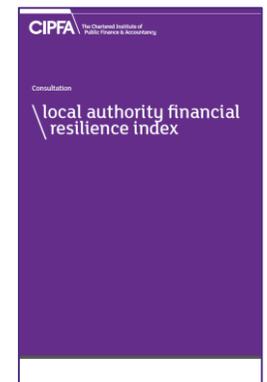
“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

CIPFA Consultation



# National Audit Office – Planning for new homes

The National Audit Office (NAO) has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The report concludes that the Department and government more widely need to take this much more seriously and bring about improvement if they are to meet their ambition of 300,000 new homes per year by the mid-2020s.

The report is available on the NAO website:

<https://www.nao.org.uk/report/planning-for-new-homes/#>



NAO Report



# National Audit Office – Pressures on children’s social care

The Local authorities in England have statutory responsibility for protecting the welfare of children and delivering children’s social care. In extreme cases they may use their statutory powers to place children in need on protection plans or even take them into care. Local authorities are also responsible for delivering non-statutory services for all children and young people, such as children’s centres. The Department for Education (the Department) provides statutory guidance on delivering these functions. It also has overall policy responsibility for children’s services, and has the strategic vision that all vulnerable children, no matter where they live, should have access to high-quality support by 2022.

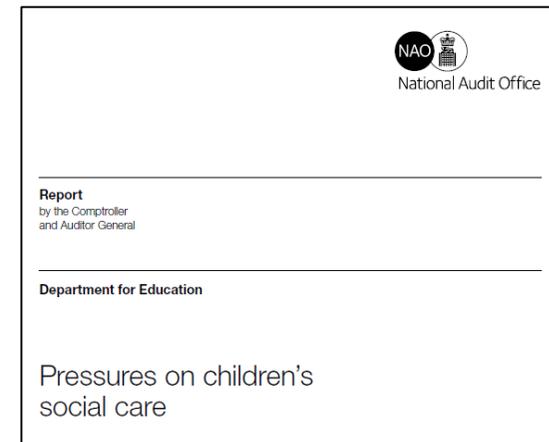
The report sets out recent trends in pressures on children’s social care demand and activity and the response of both national and local government to these pressures. It also sets out analysis the NAO conducted about what is causing variations in children’s social care demand and activity between different local authorities. The report covers:

- the pressures on children’s social care;
- the response of national and local government to increasing demand for children’s social care; and
- NAO analysis of what is causing variations in demand for children’s social care between local authorities.

The report notes that, while the Department has put in place a programme of reform, it still does not fully understand what is driving demand for children’s social care or why there is such wide variation between local authorities in their children’s social care activity and costs. It has not yet done the work to tie together available sources of information and therefore lacks a well-informed pathway to achieve its goal. While the Department has recognised the need for this analysis, it will not complete the work until summer 2019. Even if its analysis is completed successfully it will be a tall order for the Department to achieve its goal within three years.

The report is available on the NAO website:

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>



# CIPFA – Social Care risk tool

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Directors of Adult Social Services' (ADASS) have updated the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.

The tool's objective is to help authorities assess whether unsustainable financial pressures might be faced by the adult social services department. It seeks to do this by assessing the extent to which various risk factors apply. This is the third version of the risk tool and it has been expanded to include new risks that have emerged since the previous version. In addition, a number of risks have been revised to make them clearer.

The risk assessment adopts a survey format and covers the following areas:

- savings;
- local pressures; and
- culture and relationships.

Each of the areas above includes a series of questions (or indicators), and authorities are required to assess whether the indicators are strongly present (score of 5); only present to some extent (scores 2 to 4); or not at all (score of 1). The total score helps to give an indication of where the authority lies. The maximum score is 195 (there are 39 questions altogether) which represents the highest risk possible. Some of the metrics (particularly those relating to unit costs) are more illustrative than prescriptive and local authorities may wish to adjust these to reflect their local circumstances.

To download the tool:

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>



CIPFA Social Care risk tool



# Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies.

Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

## Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

## Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

## Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

## Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

**Your organisation** – including considerations on workforce, funding, and changes to legislation

**Your services and suppliers** – ensuring that critical services are protected and building resilience within supply chains

**Your place** – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

Brexit



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# Links

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## Grant Thornton

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

## National Audit Office

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

<https://www.nao.org.uk/report/planning-for-new-homes/#>

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>

## Ministry of Housing, Communities and Local Government

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/728722/BRR\\_Pilots\\_19-20\\_Prospectus.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf)

## Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

## Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

## CIPFA

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>

# Local Government audits 2018/19 and beyond

## Grant Thornton's External Audit commitment

Audit 2018/19

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### Our team

Paul Dossett



Sophia Brown



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*"I have always been extremely pleased with the work done by colleagues from Grant Thornton, there is continuity of staff delivering the team who presented the bid. This continuity remains through the cycle of work that takes place during the year; allowing the team to continue to understand the corporate objectives whilst allowing us to ensure we comply with the required standards. The team are very friendly and approachable with an accommodating style".*

*Director of Finance, local audited body*

## Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

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*"I have found Grant Thornton to be very impressive .....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."*

Director of Finance, County Council

## Our relationship with our clients—why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

## New opportunities and challenges for your community

### The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

## Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

# Grant Thornton in Local Government

## Our client base and delivery

- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise

## Our connections

- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

## Our people

- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

## Our quality

- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQR

## Our technical support

- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies





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 <b>Brent</b>	<b>Audit and Advisory Committee</b> 24th April 2019
	<b>Report from the Chief Finance Officer</b>
<b>Draft 2018/19 Annual Governance Statement</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	One - Brent Council Annual Governance Statement
<b>Background Papers:</b>	none
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Michael Bradley Head of Internal Audit and Investigations Email: <a href="mailto:Michael.Bradley@brent.gov.uk">Michael.Bradley@brent.gov.uk</a> Phone: 07920 581620

## 1.0 Purpose of the Report

- 1.1. This report sets out the draft Annual Governance Statement (AGS) for 2018/19 as required by the Accounts and Audit Regulations 2015.

## 2.0 Recommendation

- 2.1 The Audit and Standards Advisory Committee consider approve the AGS as set out in appendix 1.

## 3.0 Detail

- 3.1 The council is required to prepare an Annual Governance Statement and have it approved by the relevant Committee. The statement must be signed prior to the signing of the accounts. The statement must be signed by the Chief Executive and Leader of the Council.
- 3.2 CIPFA produced a refreshed framework document in 2016 setting out how local authorities could comply with the requirements to conduct a review and produce the Annual Governance Statement.

- 3.3 The guidance determines that the Annual Governance Statement should “provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of governance structures involved. It should be high level, strategic and written in an open and readable style.”
- 3.4 The seven core governance principles, applicable from 2016/17, are as follows:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - B. Ensuring openness and comprehensive stakeholder engagement
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes
  - E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it
  - F. Managing risks and performance through robust internal control and strong public financial management
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 3.6 The review of effectiveness is an ongoing process involving officers responsible for key elements of the governance framework as well as members of the Corporate Governance Group, who throughout the year have oversight of governance related issues.
- 3.7 The final part of the statement covers significant governance issues relating to 2018/19 as well as updates on any from prior years. There is one item that has been identified as a significant governance issue. No prior issues remain open.
- 3.9 The following factors should be considered in determining significant issues:
- The issue has seriously prejudiced or prevented the achievement of a principal objective:
  - The need to seek additional funding or divert funding to resolve the issue;
  - The issue has had a material impact on the accounts;
  - The issue has attracted significant public interest or has damaged the reputation of the organisation, or
  - The issue has resulted in formal action being taken by a Statutory Officer.

#### **4.0 Financial Implications**

4.1 None

#### **5.0 Legal Implications**

5.1 The Accounts and Audit Regulations 2015 require the council to prepare an annual governance statement and have this reviewed by a committee.

**6.0 Equality Implications**

6.1 None

**7.0 Consultation with Ward Members and Stakeholders**

7.1 None

**8.0 Human Resources/Property Implications (if appropriate)**

8.1 None

**Report sign off:**

***Conrad Hall***

Chief Finance Officer. Brent Council

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# Brent Council Annual Governance Statement 2018/19

## **1. Scope of Responsibility**

- 1.1 Brent Council ('The Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The statement is included in the annual review of the Constitution undertaken in June each year by the Director of Legal and HR Services. A copy of the Council's code is contained in part 5 of the council's Constitution and can be found on our website:  
  
<https://www.brent.gov.uk/search?q=constitution>
- 1.4 This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1b), which requires all relevant bodies to prepare an annual governance statement. To ensure all statutory requirements have been met the statement has been produced in accordance with the CIPFA Delivering Good Governance Framework 2016.

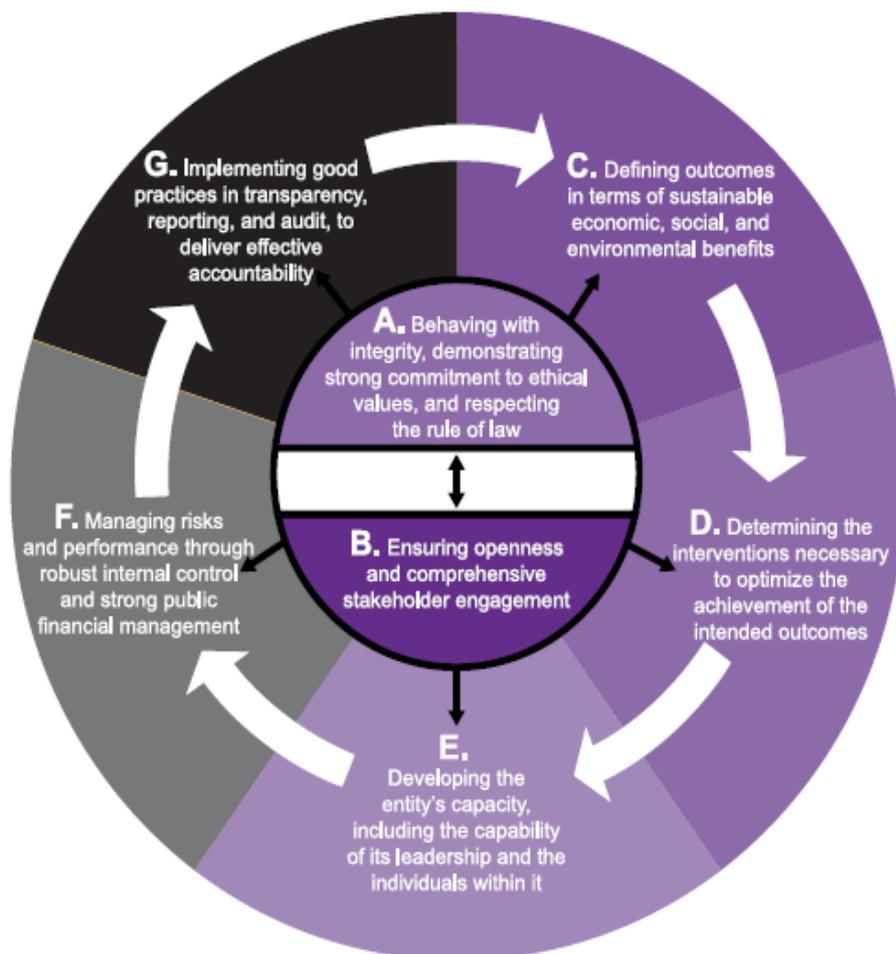
## **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.2 The governance framework has been in place for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

### 3. The Governance Framework

3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are based on the seven core principles of the CIPFA/SOLACE Governance Framework.



3.2 The arrangements for reviewing the effectiveness of the governance framework are detailed in section 4 of this statement.

#### 3.3 **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

3.3.1 The Constitution sets out how the council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution comprises six parts which set out the basic rules for governing the council's business, as well as detailed procedures and codes of practice.

3.3.2 The Constitution is regularly reviewed and was last updated in February 2019. The Constitution sets out the responsibilities of both members and officers. In particular, the council has identified the following six statutory posts:

<b>Legislation</b>	<b>Statutory Post</b>	<b>Officer</b>
S4 Local Government and Housing Act 1989	Head of Paid Service	Chief Executive
Section 151 Local Government Act 1972	Section 151	Chief Finance Officer
S5 Local Government and Housing Act 1989	Monitoring Officer	Director of Legal And HR
S18 Children Act 2004	Director of Children's Services	Strategic Director Children and Young People
S6 Local Authority Social Services Act 1972	Director of Adult Social Services	Strategic Director Community and Wellbeing
Health and Director of Public Health Social Care Act 2012	Health and Director of Public Health Social Care	Director of Public Health

3.3.3 A Scheme of Delegation sets out the powers delegated to officers as part of the Constitution. The Financial Regulations are also part of the Constitution, together with the Code of Corporate Governance and the Contract Standing Orders. Changes to the Constitution (other than minor changes which can be approved by the Director of Legal and HR Services) are approved by the full Council and published on the external website.

3.3.4 The Member Code of Conduct is set out in the Constitution, together with other codes. These have been reviewed and the updated codes of Conduct have been considered by the Audit and Standards Advisory Committee and agreed by the Audit and Standards Committee

3.3.5 A register of member interests and gifts and hospitality is maintained.

3.3.6 All Councillors receive training on the requirements of the Code of Conduct and related issues. Monitoring Officer Advice Notes give advice to members on decision making and standards of conduct.

3.3.7 All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. Strategic Directors, Operational Directors and Heads of Service are responsible for monitoring implementation of the council's policies.

3.3.8 The Council has a number of key governance related policies. Officers are made aware of their responsibilities through general communications, such as Weekly Round Up, manager briefings, staff events and via the induction process.

3.3.9

### **3.4 Principle B: Ensuring openness and comprehensive stakeholder engagement**

- 3.4.1 The Strategy and Partnerships service area is responsible for supporting statutory local partnership arrangements (Health and Wellbeing Board, Safeguarding Adults and Children Boards and Children's Trust) and some non-statutory partnerships such as Partners for Brent. The Strategic Partnerships team co-ordinates a broad range of collaborative activities, which stem from the Council's engagement with local public, private and voluntary sector organisations.
- 3.4.2 Partners for Brent is an advisory body which facilitates wider involvement and engagement in the delivery of public services. The Partners for Brent Strategic Forum is made up of eight organisations including the Met Police, NHS partners and CVS.
- 3.4.3 At a service area level, the objectives of partnerships are documented in the Service Plans and within contract documentation. They are then reflected in staff's individual objectives.
- 3.4.4 Regard to equality, diversity and human rights duties is embedded in the budget setting and business planning process, and templates for each require that officers and members take into consideration in an appropriate manner the equality and diversity impacts of proposed decisions. The Council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management.
- 3.4.5 Consultation and engagement with residents, stakeholders and the wider community is integral to the council's decision-making approach and processes, ensuring that a wide and diverse range of views are heard. A range of methods and techniques are utilised including the council's Consultation Portal, quarterly Brent Connects public forum and a series of 'Time to Talk' events.

### **3.5 Principle: Defining outcomes in terms of sustainable economic, social and environmental benefits**

- 3.5.1 The Council has a Borough Plan for the period of 2019 to April 2023 agreed by the Cabinet and Full Council. This document includes the corporate objectives of the Council and our shared partnerships priorities with other public agencies. Key performance indicators which relate to the targets in the plan are monitored on an annual basis and reported to CMT and the Cabinet. The Borough Plan references other key relevant documents, such as the Community Engagement Strategy and the Digital Strategy.
- 3.5.2 The Borough Plan is available on the staff intranet and will be regularly promoted via Brent Magazine, its website, press releases and targeted campaigns. All new strategies and plans will be underpinned by the Borough Plan's themes and annual priorities – which are consulted on with users and other relevant stakeholders. Departmental Service Plans are discussed annually with Lead Members prior to finalisation.

### **3.6 Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

- 3.6.1 The Borough Plan is focused on Building a Better Brent. It sets out the council's vision for 2023, which is to make Brent a borough of culture, empathy and shared prosperity. It is underpinned by a Corporate Plan which identifies the key tasks from which team plans and individual objectives are set.

3.6.2 The vision sets out how the Council will build on the successes achieved to-date while developing a much sharper focus on services designed around the individual and creating better outcomes for those residents with complex circumstances. The plan highlights the need to concentrate resources on the things that matter the most, and use resources in the most effective way. Borough Plan priorities are aligned to both the demographic and economic needs profile of the borough and the findings from the community engagement activities. A programme of activity is in place to support delivery of this vision with reports on progress provided regularly to CMT and elected Councillors.

The Cabinet consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Council Management Team review corporate risks through regular monitoring reports. Risks are identified within Service Plans and considered on a regular basis within departmental management teams and key operational risks are reported through to the Corporate Management Team. A recent review of the effectiveness of the Risk Management approach established that risk is well understood across all levels of management.

### 3.7 **Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

3.7.1 A full member learning and development programme is in place and there is a comprehensive induction programme for all councilors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councilors is compulsory. The council has adopted specific codes of conduct for councilors involved in planning or licensing decision-making and these councilors receive additional training in these areas as a pre-condition of their participation. Entitlement to special responsibility allowances for some posts is dependent on mandatory training being attended. A bespoke annual learning and development programme is provided for Councillors appointed as Members or Substitutes on the Scrutiny, Planning and Alcohol and Entertainment Licensing committees.

3.7.2 We have a comprehensive e-learning offer for knowledge, skills and personal development and various internal training courses. Key initiatives for the next year are the Middle Manager Development programme and Talent Management/ Succession planning. There is a corporate induction programme in place for staff, which is largely e-learning based, but which includes a one-day face to face session including a tour of the borough. Key information and policies are highlighted to new staff and managers and held on the intranet. Regular communication through annual roadshow events and other channels are maintained to advise staff of new learning opportunities. Additionally, our bi-annual 'Forward Together' events, provide an opportunity for staff to come together to engage with issues and opportunities facing the council as a whole and to understand how their work fits with council priorities.

3.7.3 Departments also design and deliver development programmes specific to their individual needs. For example, in CWB, development exists on three levels. Staff take part in the corporate training and development programme, including mandatory courses. CWB also delivers three programmes: mentoring - available to staff at all levels; a 'Making Every Contact Counts' training programme designed to support professionals to provide holistic support to their customers, and 'Leadership for Making Every Contact Counts' for first line managers to embed the MECC approach into all teams. Finally, all areas also focus on service-specific professional training.

3.7.4 In 2019/20, the first of two innovation spaces is being launched which will host a series of 'lunch and learn' events for staff. In addition, a festival is planned for summer 2019 which will include presentations and interactive sessions to engage staff in digital and wider transformation and develop ideas for new projects to support the council in delivering the objectives set out in the borough plan.

3.8 **Principle E: Managing risks and performance through robust internal control and strong public financial management**

3.8.1 Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet model of decision making. Although some decisions are reserved for Full Council, most are made by the Cabinet or by committees, sub-committees or officers. Since September 2018 individual member decision-making has been introduced in a limited number of areas, supported by a governance process similar to that for Cabinet decisions. Cabinet members received a briefing about their new responsibilities and the related processes.

3.8.2 All forthcoming Key decisions by Cabinet, Executive committees or officers are published in the Council's Forward plan published every month on the Council's website.

3.8.3 Reports and minutes of meetings are also published on the council's website and are available through the Libraries. This includes urgent decisions, which are reported to the next formal meeting of Council.

3.8.4 The council has an Audit and Standards Advisory Committee which meets at least four times during the year, with clear terms of reference and an annual work programme for internal audit, investigations and risk management. The committee has an independent chair and an independent adviser to help ensure it is effective in performing its duties.

3.8.5 In order to enhance the effectiveness of the Committee, it has been re-constituted as an advisory committee for most of its activities. This has enabled the independent Members to be equal voting members of the committee.

3.8.6 The Council maintains an Internal Audit service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit has direct access to the Chief Executive, the Section 151 Officer and the Chair of the Audit Committee and now the Chair of the Audit and Standards Advisory Committee.

3.8.7 Robust business continuity management arrangements exist within the council, with all critical services having business continuity plans in place.

3.8.8 The Council has a three-year Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the council's budget. The financial management framework includes regular budget monitoring reports to departmental management teams, Corporate Management Team and Cabinet.

3.9 **Principle F: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

3.9.1 The statutory Forward Plan is published monthly on the internet, and details all key decisions proposed to be made by the council during the relevant period. Any key

decision which is not on the Forward Plan may not be taken within that period, unless the report author is able to demonstrate to the Monitoring Officer and relevant members that urgency procedure requirements are met and, where required under Standing Orders, appropriate agreement of the Chief Executive or the relevant Chair of Scrutiny is obtained. All urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to Full Council.

- 3.9.2 Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Cabinet receives a briefing (Leader's Briefing) three weeks prior to the Cabinet meeting when members can ask detailed technical questions of officers. All reports must be reviewed and signed-off by, or on behalf of, the Chief Finance Officer and the Director of Legal and HR Services and contain clear financial and legal advice to help members arrive at decisions.
- 3.9.3 In accordance with the Local Government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Cabinet. These mechanisms involve the Scrutiny process including call-in. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.
- 3.9.4 All members and chief officers are required to complete an annual statement relating to third party transactions and a register of members' interests, which is updated by members, is maintained and published on the Council's website.
- 3.9.5 The Brent Council Code of Conduct for Members, reviewed in 2018, defines the standards of conduct expected of elected representatives, based on the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Complaints under the Code are reported to the Audit and Standards Advisory Committee as are details of declared Gifts and Hospitality received by members.
- 3.9.6 In addition, the following codes, protocols and systems are well established within the council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government.

These include:

- A declaration of interest process for members and officers as described above;
- Organisation-wide performance appraisal and employee development schemes are in operation;
- There is a corporate complaints procedure in place in line with Ombudsman good practice requirements;
- Whistle-blowing, anti-fraud and anti-corruption / bribery policies are in place and publicised in compliance with the national transparency agenda; senior officers' remuneration is published on the council website.

#### **4. Review of Effectiveness**

- 4.1 The Governance Framework is subject to on-going review as part of the everyday business of the organisation. The reduction in resources within the public sector has increased the attention on ensuring that governance frameworks remain efficient and effective. The Council also has responsibility for conducting, at least annually, a formal review of the effectiveness of its governance framework including the system of internal control.
- 4.2 The review of effectiveness is informed by the work of the Directors and senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of the Head of Internal Audit and Investigation's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.3 The Council's review of the effectiveness of its system of internal control is informed by:
- Annual Assurance Opinion of the Head of Internal Audit;
  - Performance against targets;
  - LGA Peer Review, and
  - A review of the previous year's Annual Governance Statement.
- 4.4 **The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is described below:**

#### 4.4.1 Performance Management

The Council has a Performance Management Framework, overseen by the Corporate Performance Team (CPT), within the Chief Executive's Department. The CPT works with Departmental Management Teams to strategically align all the Council's performance monitoring and reporting and coordinate the production of two main reports:

- The Quarterly Performance Report for Cabinet, and
- Portfolio Performance Packs

Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on performance each quarter. Cabinet portfolio holders have regular meetings with Strategic Directors and review finance and performance indicators.

#### 4.4.2 Management

The Council Management team meets fortnightly to oversee the operations of the organisation and receives reports for both challenge and comment prior to formal decision-making processes. Reports will also be presented to provide the required assurances regarding the strategic risks the organisation faces. These include periodic reports from the groups and boards established in the identified high risk areas such as Health and Safety; IT Governance; Business Continuity; Corporate Risk and Contracts and Procurement. The role and contribution that these groups make is reviewed on an on-going basis.

#### 4.4.3 The Cabinet

The Cabinet makes key decisions in accordance with the Budget and Policy Framework. It conducts joint planning sessions with the Corporate Management Team to consider the

council's policy priorities and its linkages with the medium term financial strategy. The Cabinet meets regularly with the Corporate Management Team to develop policy and to receive operational and financial performance information.

#### **4.4.4 Scrutiny Committees**

In 2016, Full Council approved a new structure for scrutiny at Brent Council. This was to replace the Scrutiny Committee with the Community and Wellbeing Scrutiny Committee and the Resources and Public Realm Scrutiny Committee. The new dual committee system came into effect on 18 May 2016. Each of the committees has discrete responsibilities for scrutinising the council's executive and covers different parts of the local authority's services. Policy is reviewed by reports discussed at committee as well as task groups set up to review a particular issue. In addition, a Budget panel, which is chaired by the chair of Resources and Public Realm Scrutiny Committee, was set up. As part of the transition of the council's arms-length management company, Brent Housing Partnership, back to the council in 2017, a Housing Scrutiny committee was also established to provide scrutiny of the operation of the new Housing Management Service. This committee will cease on 30 April 2019 and responsibility for scrutiny of housing matters will return to the Community and Wellbeing Scrutiny Committee. In addition, there is scrutiny of Cabinet members and decision-making at individual committee meetings of the three committees. The three committees have a statutory role in scrutinising policy and decision-making of external organisations and agencies.

#### **4.4.5 The Audit and Standards Advisory Committee**

The Audit and Standards Advisory Committee met five times during 2018/19 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual letter. The Committee monitors the effective development and operation of risk management. It reviews the annual statement of accounts specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from audits that need to be brought to the attention of the Council. The Audit and Standards Advisory Committee also considers the Treasury Management Strategy and the Annual Investment Strategy and reviews treasury management activity during the year. The committee is also responsible for a number of matters related to member conduct and has received reports concerning these during the year.

Those matters which come before the committee which require a formal exercise of council functions (e.g. approval of accounts) will continue to be made by the Audit Committee, which will consist of the councilor membership of the Audit and Standards Advisory Committee.

#### **4.4.6 Corporate Governance Group**

Set up in 2016, this is an informal, but significant, meeting of the Council's three corporate Statutory Officers together with the Head of Audit and Investigations and the Strategic Director of Resources. It reviews key governance issues, the results of recent sensitive investigations and similar material in order to update policy and practice as appropriate.

#### **4.4.7 Internal Audit**

The council receives assurance about the effectiveness of the corporate governance, internal control and risk management arrangements from the work of Internal Audit which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Audit and Investigations to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Audit and Investigations produces an annual report which will be presented to the Audit and Standards Advisory Committee. This report will outline the key findings of the audit work undertaken during 2018-19.

An external quality assessment has been carried out of the Internal Audit Service during 2018-19. The review concluded that the Internal Audit Service conformed with the Public Sector Internal Audit Standards. The outcome reflected a professional and successful Internal Audit service commanding a good level of respect and credibility across the Council and seen as a key part in supporting and developing good governance within the Council.

An assurance mechanism is used to reflect the effectiveness of the council's internal control environment. The table below details the four levels of assurance provided:

<b>Level</b>	<b>Definition</b>
Substantial	There is a sound system of internal control designed to achieve the objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are weaknesses, which put some of the objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the objectives at risk. The level of non-compliance puts the objectives at risk.
None	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

It is the opinion of the Head of Audit and Investigations that, taking into account all available evidence from audit work undertaken in 2018/19, there is reasonable assurance over the adequacy and effectiveness of the council's overall framework of governance, risk management and control during the financial year 2018-19. Internal audit did not review all of the wider governance mechanisms described in this report however there was no evidence to suggest any deficiencies in the arrangements described by senior stakeholders in this statement.

As a refinement to the Internal Audit process in 2019/20, audit reports will cease to provide a formal assurance statement. These can be too narrow to effectively deliver a meaningful message from an audit engagement and can sometimes be a barrier to delivering positive

outcomes from audit work. Findings, risks and prioritised recommendations will still form the core of the audit reporting format.

#### **4.4.8 External Audit**

Grant Thornton LLP is the Council's appointed external auditor. As well as an examination of the Council's financial statements, the work of the council's external auditor includes an assessment of the arrangements the Council have in place to deliver value for money in its use of resources.

#### **4.4.9 Risk Management**

The Council managed its risks during 2018-19 in accordance with the approved Risk Management Policy. The Corporate Management Team formally considers risks, with quarterly reports also being presented to the Audit Committee. A new risk strategy was approved in June 2017. During 2018/19, a review of the effectiveness of the Risk Management approach established that risk is well understood across all levels of management. Connecting risk assessment and management to the Borough Plan will be developed as the corporate risk register evolves.

#### **4.4.10 Developing Capacity**

The Council has operated procedures during the period covered by this statement to ensure the training needs of staff are assessed against core competencies and any key training needs are met. Additionally, the Council has provided and makes available ongoing training opportunities to councilors to enable them to effectively fulfil their duties.

#### **4.4.11 Engagement**

Regular consultation is also undertaken with residents to ensure that the authority makes decisions based on resident requirements and feedback regarding general provision and quality of service.

### **5. Significant Governance Issues**

During 2018/19, a review of Accounts Payable focusing on control weaknesses identified as a result of a fraud investigation identified a number of high and medium risk findings. The high risk findings related to the effectiveness of controls around refunds, cheque payments, and approval for payments. The fraud event was successfully investigated and prosecuted and prompt management action was taken to address the control issues.

### **6. Conclusion and Evaluation**

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the London Borough of Brent to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address any weaknesses and ensure continuous improvement in the system of internal control.

Signed:

.....

**Muhammed Butt**

**Carolyn Downs**

Leader of the Council

Chief Executive

Date:.....