



## **MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE**

### **Wednesday 10 July 2019 at 6.00 pm**

**Present:** David Ewart (Independent Chair), Councillor A Choudry (Vice-Chair), Councillors Donnelly-Jackson, Hassan, Long, Nerva.

Independent (co-opted) Members: Margaret Bruce  
Independent Advisor: Vineeta Manchanda

**Also Present:** Councillor Margaret McLennan (Deputy Leader and Lead Member for Resources)

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

The following apologies for absence were received:

- Councillor Naheerathan (Member of the Committee)
- Dr Rob Cawley (Independent co-opted Member)
- Karen McArthur (Independent co-opted Member)
- Nigel Shock (Independent Person)

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

In relation to item 6, Quarterly update on Gifts and Hospitality (including mandatory training attendance record), Debra Norman (Director of Legal, HR, Audit & Investigations, Brent Council) advised that any Member present named in the report should consider declaring an appropriate interest.

Councillors Donnelly-Jackson, Hassan and Nerva declared personal interests about training attendance record. Councillor Nerva added that the report was relevant to all Members in general.

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

There were no deputations.

#### **4. Minutes of the previous meeting**

**RESOLVED** that the minutes of the Audit and Standards Advisory Committee (ASAC) held on Wednesday 20 March 2019 be approved as an accurate record.

#### **5. Matters arising**

##### **Minute 5 (20 March 2019, ASAC): Lender Option Borrower Option Loans (LOBO)\***

Minesh Patel (Interim Director of Finance, Brent Council) advised that a further update had been received from KPMG (the Council's previous auditors) concerning the previous objection raised on the Council's Accounts. It was anticipated that following the conclusion of a 21-day appeal period, towards the end of July, the completion certificate would be available.

---

\* The Committee received a LOBO briefing note prior to its last meeting.

## 6. Quarterly update on Gifts, Hospitality and Mandatory Training

Biancia Robinson (Senior Constitutional & Governance Lawyer, Brent Council) introduced the update paper on Gifts and Hospitality registered by Members, together with, mandatory training record.

In considering the update, the Audit and Standards Advisory Committee noted the following points:

- Members were required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This included a series of gifts and hospitality from the same person that added up to an estimated value of at least £50 in a municipal year;
- Gifts and hospitality received by Members were published on the Council's website and open to inspection at Brent Civic Centre;
- Appendix 1 of the report which set out the gifts and hospitality registered by Members in the period between 22 February to 25 June 2019; and
- Hospitality accepted by the Mayor in her/his civic role was also recorded separately and published on the Council's website.

The Committee's attention was drawn to the section of the report concerning the attendance record for Members regarding mandatory training sessions. During the update, the following points were noted:

- It was a requirement of the Brent Members' Code of Conduct that all members "must attend mandatory training sessions on this Code or Members' standards in general, and under the Planning Code of Practice and Licensing Code of Practice";
- Since May 2018, all internal training sessions attended by Members were published on the Council's website and individual Member profile pages;
- There were four mandatory training sessions provided for all Members as identified in Table 1 of the report. Five mandatory sessions were provided for Committee Members and, where appropriate, co-opted members. These sessions were provided annually and all committee members and substitutes were required to attend the relevant session(s);
- Appendix B provided a summary of the Members non-attendance record at training sessions;
- That in the case of Planning and Licensing Committee membership, the Adoption and Permanency and the Fostering Panels, no special responsibility allowance could be received under the Members' Allowances Scheme if the relevant mandatory training had not been attended; and
- The regular gifts and hospitality report to include an update on mandatory training as it was deemed to be a useful and effective monitoring process.

The Chair requested that officers and also the leadership of the Political Groups on the Council explore further opportunities to highlight the importance of attending training sessions, particularly the mandatory training.

The Committee thanked Biancia Robinson and Thomas Cattermole (Head of Executive & Member Services, Brent Council) for their work.

**RESOLVED** that the Audit and Standards Advisory Committee note the contents of the report and ask the Brent Council's Director of Legal, HR, Audit & Investigations to consider what further steps could be undertaken to improve the attendance record for Members about mandatory training sessions.

## 7. Internal Audit Annual Report 2018/19

Michael Bradley (Head of Audit and Investigations, Brent Council) introduced the report which presented a summary of the Internal Audit work undertaken during the year. The report included an opinion of the overall adequacy and effectiveness of the Council's internal controls and commented on follow up reviews as required by the Accounts and Audit Regulations 2015, taking into account the Public Sector Internal Audit Standards (PSIAS).

In considering the report, the Committee noted the following key points:

- There was a clear oversight of the risk management process and a range of significant risks for the authority had been identified and were being managed;
- There had been an improvement in 2017/18 in the percentage of 'Substantial' and 'Reasonable' opinions - from 28% in 2014/15 to 20% in 2018/19;
- The proportion of systems receiving 'Limited' or 'No' opinions (one audit conclusion of 'No' assurance) had reduced;
- Where weaknesses had been identified within internal audit reports and investigations, these had been accepted and actions agreed by management. The framework for governance was set out in the annual governance statement describing the Council's governance arrangements;
- Michael Bradley directed the Committee's attention to the controls in place for the areas reviewed which were found to be satisfactory and effective. He added that further details on the audits resulting in a 'Limited' or 'No' Assurance opinion could be found in Appendix A of the report;
- The high risk issues with a 'Reasonable' opinion were listed in Appendix B of the report;
- The audit plan was directed at areas of inherent risk and/or where concern had been raised by management which could have an impact on the overall assurance picture;
- The level of assurance had improved and there was a need to keep up the momentum about the audits resulting in follow-up reviews highlighted in Appendix C of the report, particularly in a 'Limited' or 'No' Assurance areas;
- Information on the key issues raised and overall conclusions were detailed in Appendix D of the report. For the two audit reviews (Property Asset Register and Leopold Primary) which resulted in 'No Assurance' outcomes management had developed clear action plans (Key findings in Appendix A of the report) based on the recommendations which included responsible officers and timescales; and
- Property Risk Register was going to be presented to the Council's Corporate Management Team.

The Committee thanked Michael Bradley and his Internal Audit and Investigations Team for their work.

**RESOLVED** that the contents of the Internal Audit Annual Report 2018/19 be noted.

## 8. Treasury Management Out-turn Report 2018/19

Daniel Omisore (Head of Finance, Brent Council) introduced the paper updating the Committee on Treasury Management activity over the last financial year and provided information on the Council's current level of investments and borrowing as well as the key national economic indicators.

The Council had complied with its relevant Prudential Indicators for 2018/19, which were approved by the Council on 26 February 2018 as part of the Council's Treasury Management Strategy Statement. In accordance with the requirements of the CIPFA Code of Practice, the report provided members with a summary of the treasury management activity during 2018/19. It reported that none of the Prudential Indicators had been breached. Furthermore, a judicious approach had been taken about investment activity with priority being given to security and liquidity over yield. Some of the key factors impacting upon the Council's treasury management, investment and borrowing were highlighted as follows:

- UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% compared to last year, which was just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report.
- The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record.
- The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continued to rise steadily and provided some upward pressure on general inflation. Once adjusted for inflation, real wages were up by 1.4%. After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services affected overall activity.
- Annual GDP growth at 1.4% continued to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy had since been announced.

In considering the report, the Committee noted the following key points:

- Amidst the aforementioned economic backdrop, the Council had borrowed money over the long term to support investment in the Council's infrastructure and also invested cash balances held for short periods. It was therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risks were central to the Council's treasury management strategy;
- Debt and Investment Portfolio Position as at 31 March 2019 were set out in Appendix 1 and Prudential Indicators were set out in Appendix 2 of the report;
- Concerning a query about Authorised Limit and Operational Boundary for External Debt, it was noted that it was based on the Council's estimate of most likely - i.e. prudent - but not a worst-case scenario for external debt. It linked directly to the Council's estimates of capital expenditure, the capital financing requirement, cash flow requirements and was a key management tool for in-year monitoring;

- The authorised limit provided financial headroom over and above the operational boundary for unusual cash movements. The total Actual External Debt was £385.8m, Authorised Limit stood at £1,000m and the Operational Boundary was £900m and there were no breaches to the Authorised Limit and the Operational Boundary during 2018/19; and
- The risk appetite, borrowing and investments models were guided by expert advice.

The Committee thanked Daniel Omisore for his work and a well-written report on a technical topic.

**RESOLVED** that the Audit and Standards Advisory Committee note the contents of the 2018/19 Treasury Management outturn report and ask it to be forwarded to the Council, in compliance with CIPFA's Code of Practice on Treasury Management.

## 9. Statement of Accounts 18/19 and the External Auditor's Audit Findings Reports

The Chair provided a background to the reason why the publication of the Draft Statement of Accounts 2017/18 had been delayed. He reminded Members that this was the earliest the Council's accounts had been completed, by 10 July (the previous deadlines had been 30 September initially and the 31 July last year).

It was further noted that a draft Statement of Accounts had been published on the Council's website on the 24 May (a week before the deadline required by statutory regulation) and updated versions of accounts as well as the External Auditor's Reports to those charged with governance (the ISA260 report) had been circulated prior to the meeting.

Sophia Brown and Paul Dossett (Grant Thornton) talked to their Audit Findings Reports about the Council as detailed in Appendix 9c and also about Brent Pension Fund as set out in Appendix 9d of the report. In considering the report, some of the following key points and comments were noted:

- The Group and Councils' financial statements provided a true and fair view of the financial position of the Group and Council and their income and expenditure for the year. These had been properly prepared as per the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared following the Local Audit and Accountability Act 2014;
- Four adjustments, as detailed in Appendix B of the report (financial statements) had resulted in a £96.4m adjustment to the Council's Comprehensive Income and Expenditure Statement which did not impact on the General Fund position;
- Recommendations for management as a result of the audit work were detailed in Appendix A of the report;
- There were no matters that would require modification of the audit opinion - Appendix D or material changes to the financial statements - subject to the updates to the seven highlighted matters requiring attention;
- Other information to be published with the financial statements was consistent with the Auditor's knowledge of the organisation and the financial statements;
- The Auditor completed their risk-based review of the Council's value for money arrangements and concluded that the Council had proper

arrangements to secure economy, efficiency and effectiveness in its use of resources;

- An unqualified value for money conclusion was anticipated, as detailed in Appendix D with findings summarised on pages 22-25;
- Following controls testing of the Council's accounts payable system, substantive testing on significant transactions and material account balances, including the procedures outlined in the report about the key audit risks, the Auditor not had to alter or change their audit plan, which remained as communicated on 5 February;
- In response to a query about assurance-testing of the subsidiary accounts for invest 4 Brent (i4B) and First Wave Housing (FWH), the Auditor advised that the evaluation of the components of the group was based on a measure of 'materiality' considering each as a percentage of the group's gross revenue expenditure to assess the significance of each component and to determine the planned audit response. From this evaluation, it was determined that 'analytical reviews' were required as part of the audit of the London Borough of Brent for i4B and FWH;
- The concept of materiality was fundamental to the preparation of the financial statements and the audit process. It applied not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law;
- In response to a query, it was clarified that for the audit findings report about the Council, the 'materiality' figures were: £20m for financial statements, £15m for performance. Items below £1m were considered "trivial" by the definitions used for external audit;
- Financials statements were highlighted on page 5, internal controls were detailed on page 18 and value for money comments listed on page 20. Appendices A to D of the Auditor's Findings Report about the Council provided Action plan, Audit adjustments, Fees and Audit Opinions for the perusal of the Committee;
- Paul Dossett informed that additional fee/charge would be applied for, by Grant Thornton to the Council due to a revised calculation and work resulting from the McCloud judgement, e.g. about actuaries and other relevant work;
- The summary concluded that the substantial audit of the Council's financial statements had been completed and subject to relevant outstanding queries being resolved, an unqualified audit opinion following the Audit and Standards Committee approval, as detailed in Appendix D, would be issued;
- In response to a query about reserves, the Committee noted: the challenging national economic landscape and decreased Local Government financial settlements, the need for the appropriate risk governance procedures. The Council's financial controls had been robust and the Council had not overspent in the previous many years but there were competing demands and priorities - there was a need to ensure long term and sustainable return on contributions received by the Council as result of housing developments (S106 and CIL);
- In considering the Audit findings for Brent Pension Fund, the Committee noted that, in summary, there were no adjustments to the financial

statements that have had an impact on the Pension Fund's reported financial position;

- Brent Pension Fund Audit adjustments and misclassification disclosure changes were detailed in Appendix B of the report;
- Significant findings of the Brent Pension Fund and audit risks were provided on pages 5 to 9 of Appendix 9d. The follow up of recommendations from the prior year's audit was detailed in Appendix A of the report; and
- There were no matters that would require modification of the audit opinion about the Brent Pension Fund as detailed in Appendix C of the report.

Minesh Patel (Interim Director of Finance, Brent Council) and Benjamin Ainsworth (Head of Finance, Brent Council) introduced the Draft Statement of Accounts 2017/18.

The Council's External Auditor, Grant Thornton, produced their reports as part of their audit of the accounts. The report was intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work.

During the update the following key comments were noted:

- Grant Thornton had substantially completed the audit of the 2018/19 accounts and their ISA260 report, reflecting the current position with anticipated unqualified opinions on the Council and Pension Fund accounts and a clear value for money conclusion;
- The tighter timescale this year had required the Council to both shorten its processes and make more use of estimation to produce the accounts on time. As might be expected in the first year of an accelerated timetable to close the accounts, there were a number of recommendations from Grant Thornton about how the process could be improved in future years. Officers would be putting these recommendations into effect with a revised plan for closing the 2019/20 accounts. As a result, some adjustments to the accounts had been agreed by council officers and Grant Thornton and work was underway;
- There was positive progress about the certification of the prior year accounts for 2017/18, 2017/16 and 2015/16 by the predecessor auditor, KPMG. It was anticipated that the following conclusion of a 21-day appeal period towards the end of July, the completion certificate would be available;
- There had been some adjustments to the Statement of Accounts during the audit however none of these had impacted on the medium-term financial position of the Council - the General Fund or the Housing Revenue Account;
- The Council was required to publish the 2018/19 accounts by 31 July;
- Once approved by the Audit and Standards Committee, based on the recommendations made by the Council's Audit and Standards Advisory Committee this evening, the statement of accounts would be published on the Council's website;
- Once the audit had been completed Letters of Representation needed to be signed before an audit opinion was issued by the External Auditor;
- Two draft letters, respectively setting out confirmation from the Council regarding the financial statements and information provided as part of the audit process, and about the Brent's Pension Funds, were attached as Appendices 9a and 9b of the report for the Committee's perusal; and

- The Letters of Representation would require two signatures, from the Chair of the Audit and Standards Committee as well as the Interim Director of Finance. The council letter should state London Borough of Brent instead of a generic reference to a governing body.

In discussing i4B and FWH assurance-testing and the Council's audit process, it was felt that it would be useful to tie up any finance recommendations and management responses in an action plan and bring back as an update report to the Committee.

The Chair stated that the Council was in a relatively good position but it must carry on the positive momentum and continue its efforts. The Committee thanked the finance team and the Council's External Auditor, Grant Thornton, for their work despite challenging deadlines.

**RESOLVED** that:

- (i) The contents of the Statement of Account 2018/19, External Auditor's Reports and the corrected audit differences; be noted;
- (ii) The Audit and Standards Committee be recommended to:
  - a. approve the statement of accounts
  - b. approve and sign the letters of representation to Grant Thornton
- (iii) The Letter of Representation titled 'London Borough of Brent Financial Statements for the year ended 31 March 2019' be amended to reflect that London Borough of Brent was the Governing Body;
- (iv) The final Statement of Accounts 2018/19 be circulated to Members after the Chair of the Audit and Standards Committee had signed it; and
- (vi) The Committee's appreciation of the work of Grant Thornton and Brent Council's finance team be formally recorded.
- (v) Also, in relation to assurance-testing of i4B and FWH accounts and the Council's audit process, an update report be brought to the Audit and Standards Advisory Committee.

10.

**Review the performance of the Committee (self-assessment)**

Michael Bradley (Head of Audit and Investigations, Brent Council) introduced the report which presented a summary of the proposed actions arising from the Audit and Standards Advisory Committee's self-assessment workshop conducted on 24th April 2019.

The workshop focused on some of the key elements of an effective Audit Committee as advised by the CIPFA. It also considered the move to combine the functions of the Audit and Standards Committees. The Committee noted that, during the workshop, the following key themes were discussed:

- 'Audit' and 'Standards' Committees working together as one Audit and Standards Advisory Committee (ASAC);
- Promoting the principles of good governance and their application to decision making;

- Supporting the establishment of arrangements for managing risk, including reporting and obtaining assurance;
- Supporting internal audit activity: planning, reporting and recommendation follow up;
- Aiding the achievement of the organisation's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements;
- Achieve better alignment between ASAC and Scrutiny especially on financial matters which could be achieved by synchronising the work programmes of Scrutiny and ASAC with the work of Cabinet (including clarifying the distinction between the roles of ASAC and Scrutiny Committees); and
- ASAC to obtain assurance on Cabinet's challenge to the Corporate Risk Register (CRR).

**RESOLVED** that the contents of the report be noted and an update report be brought back to the Committee.

## 11. Annual Counter Fraud Report

Michael Bradley (Head of Audit and Investigations, Brent Council) introduced the report which provided an annual summary of the counter fraud work undertaken by the Internal Audit and Investigations Team for the period 1st April 2018 to 31st March 2019.

In considering the report, the Committee noted the following key points:

- In terms of Internal Fraud, the total referrals of alleged internal fraud for the year were lower than the previous year. This included whistleblowing referrals;
- The Council's proactive work and review of the National Fraud Initiative (NFI) data-match reports were covered in the 'proactive' section of the report. Internal fraud typically had the fewest referrals in any period but it was generally more complex. There had been three new referrals received during Q4, which was a decrease compared with the same period during the previous year (nine cases);
- Concerning Tenancy and Social Housing Fraud, the recovery of social housing properties by the Investigations team had a positive impact upon the temporary accommodation budget and remained a high priority fraud risk area for the Council. The average value of each recovered tenancy was £93,000 per property as reported by the Cabinet Office in 2016;
- External Fraud - all external fraud/irregularity that affected the council (but was not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications - there were 13 open cases, 142 new referrals, 135 closed cases, 20 carried forwards, 12 irregularities, 1 prosecution, 1 caution and 12 cases of overpayments/savings;
- Housing Tenancy remained the highest area of savings for the team;
- Counter Fraud Savings stood at over £1m excluding live cases;
- Two Council Tax proactive counter fraud exercises had concluded in Q3 which involved a review of those receiving Single Person's Discount and

- Student Discount. The Single Persons Discount review was successful with over 800 cases reviewed and savings of £51,410 identified;
- There had been four Blue Badge enforcement operations led by the team across the borough at known risk areas. This had resulted in 184 badges being checked and 22 badges seized with appropriate cases investigated further for criminal offences. These operations were planned confidentially and incorporated multiple council teams and the Police. A recent operation occurred in June and an update would be provided in the next progress report;
  - The overall summary of the successful National Fraud Initiative (NFI) work following 2016 data submission was provided. Additional work on the existing NFI exercise had ceased during Q3. The new data submissions for the NFI 2018/19 exercise was supplied in October and new data matches were generated in Q4. These matches totalled 19,296 covering multiple data reports and were in the process of being reviewed by the team. A report that was recently completed related to deceased person records against live Blue Badges, which had resulted in 277 (of 348) badges being cancelled with a notional value of £159,275. An update of the NFI review would be set out in the next progress report; and
  - The team was trialling a pilot, which commenced in April 2019, with Cifas (Credit Industry Fraud Avoidance System) as part of its commitment to anti-fraud. Brent was one of 10 local authority fraud teams to take part. Similarly, the Investigations team was trialling a pilot exercise with the Department for Work and Pensions (DWP), which commenced on 28th January 2019, to jointly investigate suitable cases involving Housing Benefit and Council Tax Support.

The Chair praised the work carried out by the team, particularly the joint-working with relevant experts in the counter fraud area.

**RESOLVED** that the Committee note the contents of the Counter Fraud Annual Report 2018-19

## 12. **Forward Plan and Agenda items for the next meeting**

The Committee reviewed its Forward Plan and made the following additions:

- In relation to item 10, reviewing the performance of the Audit and Standards Committee (self-assessment), an update be brought back to the next meeting;
- The quarterly gifts and hospitality report to continue to include a section on mandatory training update; and
- i4B and FWH assurance-testing and the Council's audit process - tie up any recommendations and management responses in an action plan and bring back an update report to the Committee.

**RESOLVED** that the Committee note the contents of its Forward Plan.

## 13. **Any other urgent business**

None.

The meeting closed at 7:58 pm

David Ewart (Chair)