



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE **Held as an online virtual meeting on Tuesday 26 May 2020 at 6.00 pm**

PRESENT: (in remote attendance) David Ewart (Chair) and Councillors S Choudhary, Hassan, Kabir, Long, Naheerathan, Nerva and Kansagra.

Independent Advisor: Vineeta Manchandra (in remote attendance)

Independent co-opted member: Margaret Bruce (in remote attendance)

Also Present (in remote attendance): Councillor McLennan (Deputy Leader and Cabinet Member for Resources (in remote attendance) and Martin Smith (Chair of First Wave Housing & i4B Boards) and Kier Hopley (Independent Person).

1. Welcome

David Ewart (Chair) welcomed everyone in remote attendance to the virtual meeting of the Audit & Standards Advisory Committee. Before asking all those attending to introduce themselves, he reminded the Committee that he had been advised of both Robert Cawley's and Karen McArthur's intention to step down as independent co-opted members on the Committee, with effect from 27 May 2020.

Although both had given their apologies for the meeting, they had asked for their thanks to be passed on to everyone for the support received whilst undertaking this role. On behalf of the Committee, the Chair again took the opportunity to thank Robert and Karen for their support and interest whilst serving as co-opted members and to wish them well for the future.

2. Apologies for absence and clarification of alternate members

The following apologies for absence were received:

- Councillor Choudry with Councillor Kabir attending as a substitute member.
- Councillor Donnelly-Jackson with Councillor Choudhary attending as a substitute member.
- Dr Rob Cawley & Karen McArthur (Independent co-opted Members).
- Nigel Shock, Independent representative.

3. Declarations of Interest

The following declarations were noted:

- David Ewart (Chair) and Vineeta Manchanda (Independent Advisor) declared a personal interest as they knew Martin Smith (Chair of the First Wave Housing and i4B Boards) having previously worked with him at the London Borough of Ealing and NHS, respectively.

- Councillors Hassan and Kansagra advised they were still to undertake the mandatory audit training, with Councillor Nerva advising he had to undertake the training for scrutiny members.

4. **Deputations**

None.

5. **Minutes of the previous meetings**

The minutes of the meetings held on 11th March 2020 and 5th May 2020 were approved as accurate records.

6. **Matters arising**

The following issues were raised in relation to the minutes from the meeting on 5 May 2020

6.1 Emergency Planning response to Covid-19 (Min 5)

Councillor Nerva raised the following issues:

- Given the emergency arrangements during this pandemic, whether arrangements had been made to provide regular updates on decisions taken under emergency powers.

The Chair responded that the plan was to receive a further update at the Committee meeting scheduled for July 2020.

- Whether the North West London NHS Trust had provided the Council with information about the disproportionate number of Black and Minority Ethnic (BAME) deaths within the borough.

Carolyn Downs (Chief Executive) confirmed that arrangements had been made which included coordinating work by the Assistant Chief Executive between the Scrutiny and Audit & Standards Advisory Committees. In addition, the Chief Executive advised that she had written to both the Chair and the Chief Executive of North West London NHS Trust jointly with the Leader of the Council in order to highlight this issue and was awaiting response.

7. **Annual Standards Report (including quarterly update on gifts and hospitality)**

The Committee received the Monitoring Officer's Annual Report that provided an update on Member conduct issues and the work of the Audit and Standards Advisory Committee, the Audit and Standards Committee and the Monitoring Officer during 2019. Debra Norman (Director of Legal, HR, Audit and Investigations) in presenting the report gave an overview of the Committee's work since 2019 and drew Members' attention to the following points:

- The plans being developed to undertake a recruitment process during the course of the year in relation to the vacant co-opted member positions on the

Committee and also as the Independent Person current terms of offices came to an end.

- During 2019, two complaints had been received against a councillor for alleged breaches of the Code of Conduct. Neither of these had been upheld for the following reasons; first complaint - there was no evidence of any breach of the Member's Code of Conduct (Code); second complaint - it did not disclose any conduct which fell within the remit of the Code.
- The requirement on members to register gifts and hospitality received in an official capacity worth an estimated value of at least £50, including a series of gifts and hospitality from the same person that add up to an estimated value of at least £50 in a municipal year. Any gifts and hospitality registered by Members were published on the Council's website and open to inspection at the Civic Centre, with the latest update attached at appendix A to the report.
- Monitoring Officer Advice Notes (MOANs) continued to be issued to members. During 2019 three MOANs were issued. Appendix B to the report listed the MOANs issued since 2015, with copies available on the Member's internal SharePoint portal.
- The LGA were in the process of finalising the consultation questions for the draft Model Code of Conduct. These would be more closely aligned to the current version that the Council already had in place. Officers were awaiting the consultation questions and would keep the Committee informed as to how the consultation progressed.
- Mandatory training sessions for members continued to be provided annually. In addition, all other Members were invited to attend the sessions in accordance with the Members' Code of Conduct.

In the ensuing discussions, Members asked as to whether there existed a Code of Conduct for senior officers and how the level of confidence in the complaints system had been assessed and evaluated. Specific questions were asked about the timeline for recruitment of the co-opted members and Independent Persons, member training and whether the Council had a duty to protect members from abuse aimed at them on social media.

- Debra Norman (Director of Legal, HR, Audit & Investigations) confirmed that the Council had in place an officer code of conduct, underpinned by disciplinary procedures although constrained by legislative procedures. She continued that the Council promoted the members code of conduct complaints process on the corporate complaints page on its website. In view of the robust systems in place, there had been fewer complaints to date with no issues having been taken to the Audit & Standards Committee or Ombudsman's office for adjudication.
- The Council did not need to replace the retiring co-opted members now as one was sufficient on the Committee although arrangements would be made to ensure recruitment of new co-opted members and Independent Persons by next May, with the current office holders welcome to apply.

- In addition to the mandatory training, the Council had organised training for members to ensure they were conversant in participating in virtual meetings.
- The Council's powers were restricted in dealing with abuse against a councillor on social media, although attention was drawn to new guidance issued by the Local Government Association (LGA).

In closing the discussion, the Chair thanked the Director for the comprehensive and positive report and responses.

The Committee **RESOLVED** that the Annual Standards Report (including quarterly update on gifts and hospitality) report be noted.

8. **Draft Statement of Accounts 2019/2020**

Daniel Omisore (Deputy Director of Finance) introduced the report that presented the Council's draft 2019/20 Statement of Accounts prior to its submission to external audit. He informed the Committee that ordinarily, the Director of Finance would be required by 31st May following the year-end, to sign and date the draft Statement of Accounts and confirm that they presented a true and fair view of the financial position as at the year ending 31 March. The final audited accounts would then be approved by the Council following external audit, by no later than 31 July of the same year.

The Deputy Director continued that in view of the recent coronavirus pandemic and the associated challenges facing Local Authorities and their finance teams, the Ministry for Housing, Communities & Local Government (MHCLG) had recently announced a relaxation of these deadlines. They had confirmed that applicable from 30 April (for Financial Year 2019-20 only) the draft accounts would need to be approved by 31 August 2020 and final, audited, accounts by 30 November 2020. Members heard that given that the successful remote working arrangements thus far implemented, the Council was aiming to work, as far as possible, to the normal timeframes. This approach would ensure finance staff were free to focus on the COVID-19 recovery, budget setting and the Medium Term Financial Plan (MTFP) later in the year. It was also felt this would help to alleviate resource pressure for auditors as it was expected that a number of Council audits might converge at the same time later in the year. He then summarised the draft accounts clarifying the key aspects of the balance sheet and the movement in reserve statement, as set out within the supplementary report.

Prior to member discussion, the Chair reminded members they were not required to adopt the draft accounts at this meeting. The Committee would consider the final draft set of accounts at their meeting in either July or September 2020. He then invited Sophia Brown and Paul Dossett representatives from Grant Thornton (external auditor) to provide an update.

Sophia Brown informed the Committee that there was nothing further to report, at this stage, as they anticipated commencing the audit around 15th June 2020 and would endeavour to complete by July 2020. She added that Grant Thornton had discussed the key points of the audit with the Director of Finance. Paul Dossett

cautioned that access to the Civic Centre could also influence the progress of the audit.

The Chair then thanked the Deputy Director for his initial presentation and invited comments from members with the following issues raised:

- (a) Members took note of the impact of Covid-19 on incomes including rent payments and sought assurances on how the council intended to address such sensitive issues. The Deputy Director responded that in addition to a wide range of support made available following the outbreak of the pandemic, a Debt Board had been set up to address issues including but not exclusive to rent collection, council tax and debt provisions. He advised it was more likely that the full impact would be felt on the 2020/2021 accounts rather than the current financial year.
- (b) In observing the potential impact of the Covid-19 pandemic on the council's finances, it was requested that a further financial update be received at the Committee meeting in July to enable members to monitor the spend in real time. Carolyn Downs (Chief Executive) explained that this was the largely responsibility of the Council's Resource and Public Realm Scrutiny Committee with work underway that would enable members of that Committee to assess the impact of Covid-19 and Medium Term Financial Plan, going forward.
- (c) Whilst welcoming the draft statement, Members went on to seek further clarification on the capital programme. The Deputy Director advised that for the financial year 2019/20 the Council spent £232m, which equated to 89% of the approved capital programme budget and was under spent to budget by £29.2m or 11%. In reference to Table 3 of the narrative report, the following were noted:
 - Corporate landlord underspend of £5.3m was due to delays in commercial and legal negotiations in regards to final loan terms to the United College Group for works on a new campus.
 - A minor overspend in Regeneration of £0.2m was caused by the Morland Gardens scheme incurring design fee and other costs earlier than originally planned which would be offset by the equivalent underspend on the St Raphael's Estate regeneration budget.
 - The Housing, Care and Investment underspend of £17m included difficulties in identifying and securing suitable street properties within the programme and delayed works.
 - Schools underspend of £1.2m due to slippage on a number of projects within the annual maintenance and schools expansion programmes now planned to be carried forward and completed in 2020/21.
 - South Kilburn underspend of £1.8m due delays in securing property acquisitions on William Dunbar and Saville, Crone Court and Austen House schemes.

- Public realm underspend of £3.8m due to a number of infrastructure improvement programmes, with a large proportion of this sum relating to planned footways works which were paused in March due to the pandemic outbreak.
- (d) The Deputy Director advised the Committee that the Council continued to review the capital programme to assess the financial and delivery implications of the current pandemic on the delivery of programmes and projects planned to be completed within the next financial year. With the exception of a few contractors that ceased working on site or reduced their site activities (but resumed from May onwards), most of the capital programmes and projects had been progressing albeit within the social distancing constraints. Other than some of the savings targets (linked to securing rental income) now being delayed, there were no other material impacts anticipated from the recent review undertaken.
- (e) In response to questions as to whether there were any outstanding recommendations from last year's external audit and whether the reserves set out in the report could be re-applied to other uses, the Deputy Director confirmed that the Council expected to resolve the recommendations and had already made significant progress in doing so. On reserves, he explained the current breakdown whilst noting that a large element was being held for statutory capital expenditure and as such could not be diverted to revenue purposes.
- (f) The external auditors advised that they would complete the audits for the subsidiaries before the Council's audit, subject to the appropriate health and safety measures in place to again access to the Civic Centre.

As there were no further issues raised, the Chair thanked the Director of Finance and his team of officers for the comprehensive report and the detail clarifications submitted. It was **RESOLVED**:

- (1) To note the draft Statement of Accounts for 2019/20 and approve its submission to external audit.
- (2) That once agreed, the s151 Officer authorise the circulation of the draft audit to all members with final approval to be undertaken at the Committee meeting scheduled in either July or September 2020.

9. **To review performance of i4B Holdings Ltd**

This report provided the Audit and Standards Advisory Committee with an update on i4B Holdings Ltd's (i4B) recent performance, audit arrangements, and risk register. Martin Smith (Chair of i4B) introduced the report and drew the Committee's attention to the following aspects of i4B performance:

- As of April 2020, 254 Brent families, including 623 children had been housed in i4B properties, the breakdown for which had been set out within Table 1 of the report. The benefits envisaged in the business model were now flowing through in a regular way.

- In view of the prevailing housing market conditions, i4B had adapted its purchasing priorities to fit in with its business model.
- The purchase of the Quintain block for key workers, completed on 20th February 2020 that would provide 153 units of 1 and 2 bedroom apartments for key workers and would be let at 65% of market rate plus service charge. He considered that this would be a significant asset, enhancing the Council's ability to recruit and retain key workers within the Borough.
- Because of Covid-19, the building contractor, Wates, had served a notice on Quintain stating that practical completion of the Quintain block project (due in October 2020) had been delayed. The construction project was progressing, albeit at a slower rate and i4B was awaiting further information from Quintain about the length of the delay. He added that the delay was not likely to be critical to the company's business model and drew Members' attention to the risk register as set out within the report.

The Chair thanked Martin Smith for his presentation and invited comments from Members with the following issues raised:

- (a) Members sought further detail about the company's performance figures for 2019/20 (budget against actual). Martin Smith clarified that the spend on maintenance resulted mainly because i4B were buying properties which required refurbishment to a higher standard. The company (i4B) achieved a reduction in insurance fees through partnership arrangement with the Council in purchasing insurance cover, resulting in economies of scale. The increased loss for the year to budget resulted from interest cost and finance charges for the Quintain block for key workers, which totalled over £800k and had not been included in the original budget.
- (b) In response to questions about the company's operating losses and future prospects, Martin Smith stated that the financial modelling covered a 30-year period. The operating losses at early years were in line with expectation but over time and with fixed interest rates and stable flow of rental income, i4B would move into surplus and if property prices should rise, the company's balance sheet would improve accordingly.
- (c) Members heard that i4B was not as susceptible to interest rate movements as the interest on loans from the Council was fixed. Martin Smith added, however, that in the current circumstances it was difficult to predict the path of interest rates.
- (d) In response to questions about the choice of business name and rationale for the councillor representation on the i4B Board, Martin Smith stated that the choice of name was to give the company a minor commercial advantage in not being directly associated with any other large organisation. Carolyn Downs (Chief Executive) advised that the decision to include a non-Executive member on the Board had been taken in order to avoid any conflict of interest with also serving as a member of Cabinet, given the Councils' role as shareholder.

- (e) Members considered the report to be encouraging but sought assurances on the agility of i4B to react to business opportunities and asked about the valuation of i4B's property portfolio. Martin Smith stated that i4B had a dynamic business model with due diligence in place that allowed the company to react to opportunities as they arose. He added that the company revalued its property portfolio annually as a normal commercial arrangement.
- (f) With reference to the Quintain block property, a member sought the definition of a Key Worker in this context. The Chief Executive clarified that the council had adopted the legal definition of a key worker but had applied additional criteria in order to reflect local needs and build in appropriate flexibility.

As no further issues were raised, the Chair thanked Martin Smith and the Chief Executive for the responses and updates provided. It was **RESOLVED** that the Committee note the following:

- (1) The current performance of i4B and update to their risk register.
- (2) The update on recent i4B audits, and progress towards implementing previous audit recommendations.
- (3) The impact of Covid-19 on i4B's operations and business objectives.

10. **To review performance of First Wave Housing Ltd**

This report provided the Audit and Standards Advisory Committee with an update on First Wave Housing Limited's (FWH) business plan, recent performance, risk register, and audit arrangements. Martin Smith (Chair of FWH) provided the key highlights of the FWH report as follows:

- FWH's primary purpose was to manage, maintain, and improve its stock of 329 properties and to contribute to Brent's Housing Strategy by providing good quality, affordable, secure, and well managed homes to Brent residents. It currently had 329 tenanted properties: 89 at social rent, 25 at intermediate rent, and 45 at PRS/market rent and had 170 Settled Homes, which were a form of temporary accommodation, let on assured short hold tenancies, with rent levels slightly below LHA rates.
- The performance of FWH, measured against the Company's Key Performance Indicators was reported to the Board monthly. The annual rent roll was £4.2m.
- As of March 2020, the year to date (YTD) cumulative performance outturn for rent collection was 98.96% against an annual target of 98.5%. YTD rent income collection for August 2019 was 97.29%. Total loss for the year had come in as £120k. Previous in-year projections were in line with this loss for the year.
- On performance, there was a variance of circa £750k to the original budget driven mainly by repair costs but the main reason for the scale of the variance related to the original budget set and calculation of costs. Costs for 2019/20 costs were in line with those for 2018/19.

- A benchmarking exercise undertaken in February 2020 demonstrated that FWH's operating costs were in line with other providers of similar size and found that FWH had a strong performance in operating margin, placing it within the upper quartile in all peer groups.
- For minor voids, FWH's target was 21 days. For major voids, FWH's target was 76 days. The YTD performance as of March 2020 for voids was as follows:
 - General Market Rent (Minor Void) – 35.9 days.
 - Settled Homes (Minor Void) – 33.65 days.
 - Settled Homes (Major Void) – 94.2 days.

The YTD performance for major voids had increased notably as a result of works being delayed on one Settled Home property, which had been caused by a roof leak within a block managed by a registered provider. Once remedied, the void works commenced and the property was let in 34 days.

- While not a priority, FWH retained the ability to purchase new build accommodation, through working with the Council and on the open market, using a proportion of the loan facilities of up to £110.5m agreed by the Cabinet to be made available to i4B Holdings and FWH. As opportunities developed, FWH would continuously review its financial model and potential grant funding opportunities to ensure schemes secured optimum value for Brent.

The Chair thanked Martin Smith for the in-depth update of FWH performance and invited comments and questions from Members. The following issues were raised and responses submitted were noted:

- (a) In response to specific questions about the rising Service Level Agreement (SLA) and other costs and whether FWH would replace properties it had sold, Martin Smith reiterated that the benchmarking exercise in February 2020 showed that FWH's operating costs were in line with other providers of similar size and found that FWH had a strong performance in operating margin, placing it within the upper quartile in all peer groups.
- (b) Members raised a query on the operating loss regarding the variance of circa £750k to the original budget. Martin Smith informed the Committee that the actual costs were higher because of poor housing stock condition that required good maintenance, the process of untangling costs from Brent Housing Partnership and payment of leasehold charges to landlords. He reiterated that financial performance was being reported to the Board each month. Carolyn Downs (Chief Executive) added that matters of concern could also be reported to the Community & Wellbeing scrutiny Committee.
- (c) In response to questions about the impact of falling property values on the finances of the FWH and therefore the Council, Martin Smith assured Members that FWH's rental income was well insulated. He added that subject to any radical and detrimental change to the benefit regime, FWH did not envisage such problems.

The Chair thanked Martin and the Chief Executive for the comprehensive report and updates as there were no further issues raised and it was **RESOLVED** that the Committee note the following:

- (1) The update on FWH performance and risk register.
- (2) The update on recent FWH audits.
- (3) The impact of Covid-19 on FWH's operations and business objectives.

11. **Internal Audit Progress Report**

This report provided an update on progress against the Internal Audit Plan for the period 1 January 2020 to 30 April 2020. Michael Bradley (Head of Audit and Investigations) introduced the report during which the Committee noted the following points:

- During this period, Internal Audit completed 10 audit reviews and advisory pieces of work, issued a further seven draft reports which were awaiting management responses, completed 14 follow up reviews, completed two school audits and completed grant claim certifications for the Troubled Families Programme. Details of the key findings were set out in Appendix A of the report and details of the audits currently in progress were set out in Appendix B of the report. To ensure that agreed management actions in respect of significant risks were implemented, officers had also carried out follow-up reviews.
- A further seven audits were nearing completion or in progress. Due to the ongoing Coronavirus situation, a number of this year's audits had had to be postponed and would be rescheduled in 2020/21. Planning work had also now commenced on a number of audits from the 2020/21 Audit Plan.
- For each audit where controls had been analysed and a report agreed with management, an assurance opinion was given. This grading mechanism provided an indication of the level of confidence in the controls in operation and the extent to which they were being applied. For 2019/20 this grading system would be no longer used and an indication of the level of confidence was now gained by examining the number of issues raised and their associated risk level.
- During the period, 14 follow up reviews were completed (as detailed within Appendix C of the report). A further 11 were currently in progress. Of the 14 completed, four had high-risk actions that had not been implemented or only partially implemented. These would be followed up to ensure they have been satisfactorily implemented. 119 management actions had been reviewed in total.
- Management had provided positive feedback on individual audits completed on areas including usefulness of the audit, quality of the report and usefulness of any recommendations made. Of the five questionnaires that had been

returned during this period. 97.5% of scores were either very satisfied or satisfied.

The Chair thanked Michael Bradley for the update and invited comments from the Members during which the following were noted;

- (a) Members raised specific questions about the impact of Covid-19 on the finances of the Council when there was no income flow from for example, parking facilities. Furthermore, the ability of the audit team to complete its work whilst service areas such as highways, older persons pathway and Spot Purchasing, Residential and Nursing Care were all marked “fieldwork in progress”. Michael Bradley responded that the Audit and Investigation unit had, since the report was written, completed some of the audits that were in progress. In addition, the remote working protocol including some face-to-face activity, where appropriate, had enabled the unit to function with minimal impact. In 2020/21, the unit would scrutinise any ongoing impact and devise mitigation plans, going forward.
- (b) Members asked the Head of Audit and Investigations to elaborate and provide further updates on the following audit areas that had high risk findings: IT Access and Identity Management (access to applications); Staff Benefits (Effective and regular management reporting and reconciliations of staff beneficial loans, loan policy and central record of loans issued) and First Wave Housing (rent collection KPI). Michael Bradley informed Members that the council had in place a process for managing staff loans and with positive responses from service teams, and that no irregularities had been identified. He added that control measures were in place in respect of the findings that were categorised as medium and undertook to circulate further updates to members.
- (c) Specific questions were asked about how the team was scrutinising the impact of the changes and support measures put in place as a result of the Covid-19 pandemic and comments were also sought on the pension fund investments in passive trackers. Michel Bradley responded that the team was providing assurance via initial spot check testing on grant payments to businesses. He undertook to share updates on passive trackers with members.

As no further issues were raised, the Chair once again thanked the Head of Audit and Investigations and his team of officers for the comprehensive report and the updates provided. It was **RESOLVED**:

- (1) To note the internal audit progress report for the quarter.
- (2) That the Head of Audit and Investigations share further updates noted in the above discussions.

12. **Counter Fraud Progress Report**

Michael Bradley (Head of Audit and Investigations) introduced this report that set out the activities of the counter fraud function in Q4. The Committee noted the following overview provided:

- Internal fraud typically had the fewest but more complex referrals from a variety of sources in any period. In reference to the table in the report, he gave a summary of the case types as set out within the report but added that due to confidentiality, it was inappropriate to provide additional details within the report. Members heard that the cases involved misuse of IT, conflict of interest, recruitment irregularities, breach of financial / other regulations and bribery or corruption.
- The recovery of social housing properties by the Counter Fraud team remained a high priority fraud risk for the Council with the average value of each recovered tenancy being around £93,000. Five housing cases, with a notional value of £465,000, were recorded as a result of fraud / irregularity in Q4. The total number of fraudulent housing cases concluded in 2019/20 was 19, (27 in 2018/19).
- The following statistical information was also noted;
 - An average of 40 recoveries had been made over the last three years.
 - Referrals had declined over the last two years.
 - Of the 34 referrals logged during Q4, nine were from Housing Management teams.
 - Total referrals logged this year were 176, compared to last year's total of 151, and a further 24 referrals were received in Q4 that needed to be processed.
 - There were currently 92 live housing investigations.
 - The successful on-street Blue Badge operation with the Parking Enforcement in the Willesden area.
- Arising from the Council's response to the Covid-19 pandemic, some interim amendments to processes and controls in services had been put in place that were being delivered in a controlled manner with appropriate advice to managers regarding the risk of error and fraud. Officers were analysing the reasons for an increase in fraud referrals and dealing with individual caseloads.

The Chair having thanked the Head of Audit and Investigation invited comments and questions from Members with the following issues raised:

- (a) Members observed that because of the Covid-19 pandemic there could be frequent use of ID scans with all of the attendant problems, some of which were detailed in the report. Referencing the report, the Head of Audit and Investigations highlighted the importance of adequate identity scanners, particularly for recruitment, and he anticipated the introduction of new scanners as soon as circumstances allowed. He was looking into the risk of email scans verification. Work currently in progress, would be reported to Committee when it was completed.
- (b) In response to questions about whether the team had an arrangement in place to authenticate documents with the Home Office and the DVLA, the Head of Audit and Investigations confirmed that the ID scanner would be able to check and authenticate documents with statutory bodies.

In the absence of further issues, the Chair once again expressed thanks to the Head of Audit and Investigations for the progress report and the responses.

The Committee **RESOLVED** to note the counter fraud work for the fourth quarter 2019/20.

13. **External Audit Plan Update - Audit scope & additional work 2019/20**

The Committee welcomed Sophia Brown and Paul Dossett (Grant Thornton external auditors) to the meeting to provide an update to the planned scope and timing of the statutory audit of the London Borough of Brent ('the Authority') and London Borough of Brent Pension Fund ('the Fund'). The Committee noted the following updates:

- In addition to the audit risks communicated to those charged with governance in the Audit Plan on 11 March 2020, recent events had led the external auditors to update the planning risk assessment and reconsider the audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. Aware that the uncertainties and the significance of the situation would present additional burden on staff, Grant Thornton aimed to work with the Council to ensure up to date communication and flexibility where possible, in the audit procedures.
- Although the financial deadline had been extended to 31 August 2020 for the preparation of the financial statements and 30 November 2020 for audited financial statements, Grant Thornton would liaise with management to agree appropriate timescales.
- In order to fulfil their responsibilities under International Auditing Standards (ISAs UK) Grant Thornton had revisited the planning risk assessment. Furthermore, Grant Thornton advised they may need to consider implementing changes to the procedures planned and reported in the Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working.
- Grant Thornton had identified a new significant financial statement risk relating to Covid-19 in the Council and the Pension Fund and had set out the reason for risk identification and the key aspects of the proposed response, as described within the report and the Audit Scope letter (the addendum). The materiality levels reviewed did not identify any changes to their materiality assessment.
- Grant Thornton had updated the Value for Money (VfM) risk assessment to document their understanding of the Council's arrangements to ensure critical business continuity in the current environment. Grant Thornton had not identified any new VfM risks in relation to Covid-19 but had enhanced the financial sustainability VfM significant risk to reflect the impact of Covid-19 on the Council's 2020/21 budget and beyond.

The Chair thanked Sophia Brown and Paul Dossett for the update and invited comments and questions from the Committee with the following being noted:

- (a) Clarification was sought on the method of valuation of the pension fund, aware that the impact of Covid-19 would have affected only one month of the audit and whether there could be a further review of the auditor's fees. The external auditors explained that the valuation involved the combined work of expert valuers, Council officers and actuaries. The auditors did not anticipate changes to the fees set out within the audit scope letter attached as an addendum to the report, although the impact of Covid-19 would affect the audit opinion.

With no further issues raised, the Chair once again thanked Sophia and Paul Dossett (Grant Thornton) for their attendance and the updates and it was **RESOLVED** to note the external audit plan, scope and additional work.

14. **Review of the use of the Regulation of Investigatory Powers Act (RIPA) Powers**

The Committee received a report that provided details on the outcome of the inspection undertaken by the Investigatory Powers Commissioner's Office (IPCO) in March 2020. The IPCO had responsibility for reviewing the use of investigatory powers by public authorities and other intelligence and law enforcement agencies and monitored how these powers were used, ensuring that investigations are conducted in accordance with the law. Bianca Robinson (Senior Constitutional and Governance Lawyer) presented the report and drew Members attention to the following:

- The Regulation of Investigatory Powers Act 2000 (RIPA) gave the Council significant powers in order to investigate serious matters and offences. The powers enabled the Council to use covert surveillance, covert human intelligence sources (CHIS) and the acquisition of service use or subscriber information in relation to communications data in a manner, which was compatible with Article 8 of the European Convention on Human Rights.
- Any directed surveillance that the Council may wish to undertake must comply with various strict criteria including approval of the application by a Magistrate.
- The Council was periodically inspected (approximately every 2-3 years) by the Investigatory Powers Commissioner's Office (IPCO). Arising from the last inspection that took place in November 2016, the Inspector made two recommended suggestions. These were addressed and reported to the Committee meeting in March 2018.
- The Inspector undertook his phone desk top inspection in March 2020 and was pleased to note that the inspection had found similarly good levels of continued compliance with no recommendations made. The Inspector noted the regular updating of the Council's RIPA policy document; a robust application process for the use of social media investigations; and clear processes to comply with conditions when external agencies required the use of CCTV.

- In accordance with the assurances confirmed by The Investigatory Powers Commissioner, officers would continue to ensure that the integrity of the Council's processes and governance procedures were maintained to ensure that the high standards of compliance with the Act and relevant codes of practice continued.
- Members noted that the operation of the process, set by legislation, would continue to be tracked, monitored and documented.

As there were no further issues raised, the Chair thanked the Senior Constitutional and Governance Lawyer and in welcoming the report, the Committee **RESOLVED** to note the positive outcome of the 2020 IPCO inspection into the council's use of RIPA as set out in the Inspector's letter, attached as Appendix A to the report.

15. **Audit & Standards Advisory Committee - Forward Plan 2020/21**

The Chair drew Members' attention to the Committee's forward plan and work programme for 2020/21 as set out in the agenda pack. In welcoming the work programme, the Committee **RESOLVED** to note the forward plan and work programme for 2020/.

16. **Any other urgent business**

None.

The meeting closed at 8.35 pm

David Ewart
Chair