



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE

Held in the Conference Hall, Brent Civic Centre on Tuesday 11 May 2021 at 4.00 pm

PRESENT: Councillor David Ewart (Chair), Councillor Lo (Vice-Chair) and Councillors Long and Kansagra.

Independent Advisor: Vineeta Manchanda

Also Present: (in remote attendance): Councillor McLennan (Deputy Leader and Lead Member for Resources), Councillors Gbajumo and Choudhury & Javed Ansari (Independent Co-Opted Member)

1. Apologies for absence and clarification of alternate members

Apologies were received from Councillor Donnelly Jackson, Naheerathan & Councillor Johnson, Kier Hopley (Independent Person), Nigel Shock (Independent Person) and Mark Mills (Independent Co-Opted Member).

It was noted that Councillor Gbajumo was attending online as a substitute for Councillor Johnson and Councillor Choudhary as a substitute for Councillor Naheerathan.

2. Declarations of Interest

None.

3. Deputations (if any)

None.

4. Minutes of the previous meeting

It was **RESOLVED** that the minutes of the previous meeting held on 31 March 2021 be approved.

5. Matters arising (if any)

It was noted that departmental risk registers would be presented to the Scrutiny Committee Chairs as had been requested at previous meetings.

6. Annual Standards Report

Biancia Robinson, Senior Constitutional and Governance Lawyer, introduced a report on member conduct issues and the work of the Audit and Standards Advisory Committee, the Audit and Standards Committee and the Monitoring Officer during 2020. The Committee was then invited to raise questions on the report, which are summarised below:

- Full Council would be asked to approve provisional appointments to the Independent/Co-opted member posts as per the report. Their induction training would be undertaken in the coming weeks and members would attend future meetings.
- During 2020 there had been 11 complaints against councillors, 2 of which had resulted in public apologies. There had been a decline in gifts and hospitality, with only one gift/hospitality being recorded. All committee members had attended all mandatory training with the exception of unconscious bias training. The list of members who were unable to attend training was attached as Appendix B of the report.
- It was clarified that all members were required to undertake all mandatory training, regardless of whether they were are choosing to stand in the local elections.

RESOLVED to note the contents of the report.

7. **Review of the Use of Regulation of Investigatory Powers Act 2000**

Debra Norman, Director of Legal, HR, Audit and Investigations, introduced a report on the Council's use and conduct of surveillance techniques in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000 which complied with its annual reviewing obligations as set out in Brent Council's RIPA policy and procedures. The Committee was then invited to raise questions on the report, which are summarised below:

- It was noted that there had been zero RIPA Directed Surveillance or covert human intelligence sources (CHIS) authorisations for the current financial year. It was also noted that RIPA approvals in relation to communications data were dealt with by the National Anti-Fraud Network rather than the Council.

RESOLVED to note the contents of the report.

8. **Treasury Management Outturn Report**

Amanda Healy, Head of Finance, introduced a report on Treasury Management activity, confirming that the Council had complied with its prudential indicators for 2020/21. The Committee was then invited to raise questions on the report, which are summarised below:

- It was noted that the Council's average return for the year was 0.05% and there was a decrease in income and short term borrowing costs. The margin that the Council could borrow from the Public Works Loans Board (PWLb) was reduced for Councils with no plans to purchase investment assets primarily for yield. Brent did not currently have plans of this type within its Capital Programme. There had been short-term borrowing at an average rate of 0.21% and a long-term borrowing rate at 1.64%.

- In response to a question regarding internal borrowing, it was clarified that the strategy utilised cash balances on a temporary basis until the original plans for the cash falls due.
- Regarding those departments which were allocated money from reserves, it was clarified that balances were multi-year and so were necessarily going to be the same in the next financial year. Reserves such as the Community Infrastructure Levy (CIL) need to be utilised over a longer period.
- Regarding credit risk for investments, it was noted that the determining factors included liquidity, and to ensure that there was access to these funds they were held in money markets which were low-yielding at this stage. Money market funds could be used from other local authorities where available.

It was subsequently **RESOLVED** to:

- (1). Note the 2020/21 Treasury Management outturn report, in compliance with the CIPFA's Code of Practice on Treasury Management (the Code).
- (2). Note that for 2020/21 the Council had complied with its Prudential Indicators which were approved by Full Council in February 2020.

9. Internal Audit Annual Report

Michael Bradley, Head of Audit and Investigations, introduced the report on the overall adequacy and effectiveness of the Council's internal controls and a summary of the Internal Audit work undertaken during the year. The Committee was then invited to raise questions on the report, which are summarised below:

- It was noted that the Committee would be updated on the progress of the mitigations in place to address high-risk issues at future meetings.
- A question was asked around disaster recovery relating to IT issues and platform review issues. It was questioned whether these processes were related in any way; it was noted that these processes platform review issues and disaster recovery issues were not thought to be related. In terms of resolution of these issues, it was also noted there was a responsible Officer for implementing recommendations for these issues, and the data on these findings would be circulated to Members.
- Clarification was provided in relation to a question regarding increased operational controls in relation to risk management where problems may have been identified.
- In response to a question regarding the Veolia Open Book Review, it was clarified that the review was a specific request from the Operational Director in light of extra costs on the service and for that claim to be validated. Members requested that the outcome of the review be circulated once completed.
- It was noted that a number of high risk areas had been identified during the schools audit. As a result, there would be a separate action plan to address

these risks. It was noted that at the time of the audit issues had been identified in terms of consistent process/record keeping/financial reporting amongst schools. Concerns were raised regarding the effectiveness of online audits, though members were assured that online audits had been carried out effectively and efficiently.

- Regarding cooperation between external and internal audit in relation to workflows, it was noted that there were regular discussions to ensure that work was not duplicated, as well as meetings on a quarterly basis. Members were assured that the external audit would enhance this arrangement as they concluded their work on governance arrangements.

RESOLVED to note the contents of the report.

10. **Counter Fraud Annual Report**

Michael Bradley, Head of Audit and Investigations, introduced a report on the counter fraud activity for 2020/21. The Committee was then invited to raise questions on the report, which are summarised below:

- It was noted that the Council was looking to pursue a more proactive approach to fraud activity to ensure fraud was not committed. It was hoped that such a policy would reduce the number of referrals.
- In response to a question from the Chair, it was noted that the proactive approach had been paused as a result of the pandemic. It was suggested that fraud awareness training should begin again soon and blue badge operations, as well as other counter fraud initiatives, should be reinstated on a quarterly basis.
- In response to a query around whether Table B on 3.7 of the report included the most up to date figures (as it referenced 2019-20) it was clarified that the team had not had to use RIPA powers during 2020-21 so there were no cases to reference.
- It was noted that the total notional and actual value of fraudulent housing cases was £1,042,300. Such information was not present across all fraud types.
- In response to a question regarding Oracle Cloud management and Digital Fraud, it was noted that Oracle had a module which could identify hard to detect virtual frauds.
- It was noted that there had not been a noticeable increase in fraud as a result of the pandemic. Any referral was taken seriously but there was also a screening approach for all referrals.

RESOLVED to note the contents of the report.

11. **Pension Fund External Audit Plan 2020/21**

Paul Dossett, Public Services Partner at Grant Thornton, introduced the report on the planned scope and timing of the statutory audit of Brent Pension Fund for those charged with governance. The Committee was then invited to raise questions on the report, which are summarised below:

- Additional information would be required regarding level 3 investments. Level three investments were hard to value and fund managers would review these based on their own judgements.
- Auditing level 3 investments was noted as challenging. For this year, there had been an updated International Standard on Auditing (ISA) on estimates which put a range of further requirements on auditors. It reflected that the Financial Reporting Council (FRC) considered estimates as an important part of the audit process. There was now a clear requirement on the basis of estimation. More work was also required on fraud arrangements.
- It was noted that there would be a subsequent report brought to the Committee on the findings of the audit and a more extensive coverage of the estimates. There was a recognition that regulatory requirements had driven prices up.
- It was noted that there was both a private equity fund and infrastructure fund within the Pension Fund and each of the managers responsible for the fund would have their own approach to valuation. It was stated that the fund manager's report would be reviewed, and, if there were any particular concerns, they would be taken to valuation experts to give an independent valuation.
- In response to a question regarding the increased need to test fraud journals and how the suspicion of fraud relates to internal audit, it was clarified that the fraud related to the financial context of the fund and not to individuals as it is an internal audit. In terms of the approach on journals, a software tool to carry out risk assessments would be utilised.

RESOLVED to note the contents of the report.

12. **Forward Plan 2021/22**

RESOLVED to note the Committee's latest Forward Plan.

13. **Dates of Future Meetings**

The dates of future meetings were noted and agreed as follows. All to be held in person and at 6pm:

Monday 26 July 2021
Wednesday 22 September 2021
Tuesday 7 December 2021
Monday 31 January 2022
Tuesday 15 March 2022

14. **Any other urgent business**

None.

The meeting closed at 5.30 pm

David Ewart
Chair