



Audit and Standards Advisory Committee

Tuesday 11 May 2021 at 4.00 pm

Conference Hall - Brent Civic Centre, Engineers Way,
Wembley, HA9 0FJ

Please note that this meeting will be held as a socially distanced physical meeting. Guidance on the safe delivery of face-to-face meetings is included at the end of the agenda frontsheet.

Should any member of the Committee be unable to attend in person please contact the meeting administrator (as listed below) so alternative arrangements can be made. Please note that if unable to attend in person it will not be possible for that member to participate in the voting on any item that may be required during the meeting.

Due to current restrictions and limits on the socially distanced venue capacity, the press and public will be able to attend this meeting via the live webcast. The link to attend the meeting will be made available [here](#).

Membership:

Members

David Ewart (Chair)

Substitute Members

Councillors:

Lo (Vice-Chair)
Donnelly-Jackson
Long
Naheerathan
Kansagra
Akram
Johnson

Councillors:

Afzal, S Choudhary, Colacicco, Gbajumo, Kabir and
W Mitchell Murray

Councillors:

Colwill and Maurice

Independent Members

Margaret Bruce

Independent Advisor

Vineeta Manchanda

For further information contact: Craig Player, Governance Officer
Tel: 020 8937 2082; Email: craig.player@brent.gov.uk

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:

www.brent.gov.uk/committees

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;
 - 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
1 Apologies for absence and clarification of alternate members	
2 Declarations of Interest	
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.	
3 Deputations (if any)	
To hear any deputations received from members of the public in accordance with Standing Order 67.	
4 Minutes of the previous meeting	1 - 4
To approve the minutes of the previous meeting held on 31 March 2021 as a correct record.	
5 Matters arising (if any)	
To consider any matters arising from the minutes of the previous meeting.	
Standards Items	
6 Annual Standards Report	5 - 16
To receive an update on member conduct issues and the work of the Audit & Standards Advisory Committee, Audit & Standards Committee and the Monitoring Officer during 2020.	
7 Review of the Use of Regulation of Investigatory Powers Act 2000	17 - 22
To receive a report on the Council's use and conduct of surveillance techniques in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000, in compliance with its annual reviewing obligations as set out in the Council's RIPA policy and procedures.	

Audit Items

8 Treasury Management Outturn Report 23 - 40

To receive a report on Treasury Management activity in compliance with the Council's Prudential Indicators for 2020/21.

9 Internal Audit Annual Report 41 - 54

To receive a report on the overall adequacy and effectiveness of the Council's internal controls and a summary of the internal audit work undertaking during 2020/21.

10 Counter Fraud Annual Report 55 - 62

To receive a report on counter fraud activity during 2020/21.

11 Pension Fund External Audit Plan 2020/21 63 - 82

To receive an overview of the planned scope and timing of the Brent Pension Fund external audit 2020/21 for those charged with governance.

12 Forward Plan 2021/22 83 - 84

To consider and note the Committee's Forward Plan for the 2021/22 municipal year.

13 Dates of Future Meetings

To note the schedule of dates for future meetings during the 2021/22 municipal year, as follows:

- 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

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.

Date of the next meeting: Monday 26 July 2021

Guidance on the delivery of safe meetings at The Drum, Brent Civic Centre

- We have revised the capacities and floor plans for event spaces to ensure they are Covid-19 compliant and meet the 2m social distancing guidelines.
- Attendees will need to keep a distance of 2m apart at all times.
- Signage and reminders, including floor markers for social distancing and oneway flow systems are present throughout The Drum and need to be followed.
- Please note the Civic Centre visitor lifts will have reduced capacity to help with social distancing.
- The use of face coverings is encouraged with hand sanitiser dispensers located at the main entrance to The Drum and within each meeting room.
- Those attending meetings are asked to scan the coronavirus NHS QR code for The Drum upon entry. Posters of the QR code are located in front of the main Drum entrance and outside each boardroom.



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE **Wednesday 31 March 2021 at 4.00 pm**

PRESENT (in remote attendance): David Ewart (Chair), Councillor Lo (Vice-Chair) and Councillors Long, Naheerathan, Kansagra, Akram and Johnson

Independent Advisor: Vineeta Manchanda

Also Present (in remote attendance): Councillor McLennan (Deputy Leader and Lead Member for Resources)

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

Apologies were received from Nigel Shock (Independent Person).

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 8 December 2020 be approved.

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

None.

6. **Standards Report (including gifts and hospitality)**

Debra Norman, Director of Legal, HR, Audit and Investigations, introduced a report on gifts and hospitality registered by members, and the attendance record for members in relation to mandatory training sessions. She also updated members on the appointment of Independent Persons and co-opted Independent Members to the Committee. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- Members were assured officers were working with members and their groups to ensure all mandatory training was completed.

RESOLVED to note the contents of the report.

7. Review of the Member Development Programme and Members' Expenses

Katie Smith, Head of Executive & Member Services, introduced a report on the Member Learning Development Programme since the last update to the Committee in January 2020, and information regarding the Members' Expenses Scheme. She also provided an overview of upcoming member learning and development sessions. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- It was noted that virtual meetings had led to an increase in member attendance, and would continue to be used even as restrictions were lifted. The average attendance was up to 30-40% compared to 20-30% previously. The uptake of external training sessions had also increased since they were made free for members of use.

RESOLVED 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

8. Internal Audit Annual Plan 2021/22

Michael Bradley, Head of Audit & Investigations, introduced a report on the draft Internal Audit Plan for 2021/22 and the basis on which the plan had been prepared. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- In response to a question regarding the review the use of procurement cards and pre-paid cards, it was noted that the appropriateness of their use would be in line with procurement arrangements and would be monitored for misuse.
- It was noted that property development costs would be scoped in the property development audit. The audit sought to provide assurance over process and controls including project management, tendering, contract management and resource management.
- It was noted that there was no current plan to include the scoping of fire safety arrangements as part of the First Wave Housing and i4B audits. Members suggested that this be included.

RESOLVED to approve the contents of the Internal Audit Plan 2021/22.

9. Departmental Risk Management

Michael Bradley, Head of Audit & Investigations, introduced a report on the management of risk at departmental level. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- It was noted that departmental risk registers were presented to senior management annually, at which point risks from services and departments which were deemed to require consideration at a higher level were added to the corporate risk register. It was explained that the Council Management

Team were responsible for reviewing the departmental risk register, whereas the Committee was responsible for reviewing the corporate risk register. It was also noted that the Chairs of the Scrutiny Committees would have access to the registers.

RESOLVED to note the contents of the report.

10. **External Audit Plan 2020/21**

Sophia Brown, Senior Audit Manager at Grant Thornton, introduced a report on the planned scope and timing of the statutory external audit 2020/21 for those charged with governance. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- It was noted that the misstatements reported to the Audit and Standards Committee figure on page 85 should read £0.8m rather than £0.xm.
- In response to a question regarding the return of in-person auditing, it was noted that the external auditors envisaged that office visits would be undertaken from July but this would be subject to government guidelines and the agreement of the Council.
- It was noted that regulatory changes had been made to the audit process regarding pension fund liabilities and value for investments. Members were assured that the Council had a number of advisors and a wide range of valuation processes and that the audit process would be managed effectively.

RESOLVED to note the contents of the report.

11. **External Audit Progress Report and Sector Update**

Reshma Ravikumar, Public Services Associate at Grant Thornton, introduced the report on progress in delivering its responsibilities as the Council's external auditors, along with a summary of emerging national issues and developments that may be relevant to Brent as a local authority. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- In response to a question regarding the revised standard in respect of audit risk assessment process for accounting estimates, it was noted that the external auditors had requested further information from management and those charged with governance for 2020/21 year. Council management were expected to respond to these requests in within the next week.

RESOLVED to note the contents of the report.

12. **Value for Money Presentation on the New Code**

Paul Dossett gave a presentation on the new Value for Money (VfM) arrangements in the new Code of Audit Practice. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- It was noted that the VfM arrangements were a statutory requirement. Members were assured that the new arrangements would go some way to address public concerns about VfM and make public accounting more accessible.
- In response to a question regarding parking policy, it was noted that changes to parking policy would be assessed as part of the external auditor's financial sustainability work. While an external auditor would not be involved in policy formulation, it would be involved in assessing its impact.
- It was noted that the external auditor would be assessing the impact of integrated care services from both a local government and NHS perspective. VfM arrangements would form part of this assessment.
- It was noted that any future VfM report would be brought to the Committee separately from the Statement of Accounts and Annual Report to ensure it is considered in its own context. Any additional outputs would be picked up in the external audit benchmarking exercise.
- It was noted that the VfM work would largely be focused on the Council's regeneration and capital programme, as well as the governance of i4B and First Wave Housing.
- In response to a question regarding the additional pandemic related charge incurred to the Council during 2020/21, it was explained that the charge would only be incurred again should there be significant disruption to the external auditor's work.
- Members were assured that the external auditors were confident that the Council would continue to engage well with them in their VfM work.

RESOLVED to note the update on the new VfM arrangements.

13. **Forward Plan**

RESOLVED to note the Committee's latest Forward Plan.

14. **Any other urgent business**

None.

The meeting closed at 5.30pm.

David Ewart
Chair

 Brent	Audit and Standards Advisory Committee 11 May 2021
	Report from the Director of Legal, HR, Audit & Investigations
Annual Standards Report for 2020	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Two: Appendix A: List of members required to complete Unconscious bias training 2020 Appendix B: List of members required to complete the Data Protection/GDPR training
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Debra Norman Director of Legal, HR, Audit & Investigations Tel: 020 8937 1578 Debra.Norman@brent.gov.uk Biancia Robinson Senior Constitutional & Governance Lawyer Tel: 0208 937 1544 Biancia.Robinson@brent.gov.uk

1.0 Purpose of the Report

- 1.1 This is the Monitoring Officer's Annual Report to the Audit and Standards Advisory Committee for 2020. It provides 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 2020.

2.0 Recommendations

- 2.1 That the Committee note the contents of the report.

3.0 Detail

Committee's Work during 2020

- 3.1 In May 2018, the Standards Committee was merged with the Audit Committee to form the Audit and Standards Advisory Committee (ASAC). All formal decisions which fell within these committees' functions are now undertaken by the merged Audit and Standards Committee (ASC).
- 3.2 During January to December 2020, the ASC met on two occasions to discuss and ratify audit and standards matters, namely the annual governance statement, the statement of accounts and changes to the Member's Code of Conduct Complaints Procedure.
- 3.3 The ASAC met on seven occasions during 2020 and on five of these occasions discussed matters relating to standards, policy and procedure, and gifts and hospitality, as follows:

- a) On the 20 of January 2020, the ASAC considered and noted gifts and hospitality and attendance for mandatory training provided by the council to members. It considered the Member Development and Learning Programme in addition to the Members' Expenses Scheme; and the committee conveyed congratulations for achieving the Gold Standard for Member Development from the London Chartered for Elected Member Development.

The Committee undertook its high-level review of the council's use of the Regulatory of Investigatory Powers Act (RIPA) during 2019. It noted the changes to be made to the RIPA policy and that the periodic RIPA Inspection was due to take place in March 2020. Further, it considered a discussion paper on the Complimentary Roles of the ASC, ASAC and Scrutiny Committee (review of the performance of the committee – self-assessment) which explored the areas of compatibility and ways of better working between the respective committees.

- b) On the 5 of May 2020, the Committee held its first virtual meeting and considered the Annual Governance Statement before it was submitted to the ASC for approval.

- c) On the 26 of May 2020, the Committee considered the Annual Standard's report 2019. This provided an update on conduct issues, the work of the Committee, the LGA Consultation on the Draft Model Member Code of Conduct, as well as gifts and hospitality during 2019. It noted two complaints against Members; and considered a summary of the recommendations and best practice recommendations arising out of the Committee on Standards in Public Life's report on the Standards regime, against the council's current practice in relation to the recommendations.
- d) On the 29 of July 2020, the Committee considered complaints pursuant to the Members Code of Conduct and Complaints procedure. The report summarised recent complaints considered by the Monitoring Officer and a particular complaint upheld against Cllr Aslam Choudry. In addition, it considered the LGA draft Model Code of Conduct consultation.

Although not strictly a standards matter, it is worth noting that the ASAC did consider a detailed report addressing the council's response to and lessons learned during and as a consequence of the COVID -19 pandemic which had (and continues to have) a significant impact not only upon the London Borough of Brent, but across the world.

- e) On the 8 of September 2020, the Committee considered an annual review report of the Member's Code of Conduct Complaints Procedure. This report outlined complaints received and proposed changes to be made to the Members Code of Conduct Complaints procedure. In addition, the Committee noted an update on the LGA draft Member Code of Conduct Consultation, gifts and hospitality and the attendance record for members in relation to mandatory training sessions.
- f) On the 8 of December 2020, the Committee considered a report on gifts and hospitality registered by members and the attendance record for members in relation to mandatory training sessions, as well as discussing the Committee on Standards in Public Life review no 2, and formally requesting a response be submitted on behalf of the council.

Independent/Co-opted members

- 3.4 The Committee will recall there were no new appointments to the ASAC throughout 2020. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, had the effect of extending the appointment of two of the council's Independent Persons (Keir Hopley and Nigel Shock) and the three co-opted members of this committee (Karen McCarthy, Margaret Bruce and Robert Crawley) until the next annual meeting of the council, or until such time as the council should determine. The Committee will recall, Karen McCarthy and Robert Crawley indicated that they have found their time as members of the committee interesting and rewarding but wished their appointments to cease on the originally anticipated date when the council's 2020 Annual Meeting was due to take place. These appointments therefore ceased on 27th May 2020.

3.5 The Committee will remember from its meeting on the 31.03.21 that a recruitment process for the Independent/Co-opted members commenced in December 2020 and concluded in January 2021, and that at its meeting in April 2021 (brought forward from May) Full Council will be asked to approve the provisional appointments, in accordance with a) and b), below

- a) Independent Persons (Standards focused) William Goh, Kier Hopley and Nigel Shock;
- b) Independent Co –opted Member (Standards focused) Javed Ansari and Mark Mills.

Nigel Shock had intended to stand down but has agreed to stay on for an extended period while we undertake a further recruitment exercise to find a third Independent Person for the longer term.

Complaints against Members

3.6 Complaints under the Member Code of Conduct are submitted to the Monitoring Officer (Director of Legal, HR, Audit and Investigations). Following consideration of the complaint the Monitoring Officer will decide the appropriate course of action in accordance with the Member's Code of Conduct Complaints Procedure.

3.7 During 2020, 11 complaints were received against different Councillors for alleged breaches of the Members Code of Conduct. Of these complaints, two resulted in public apologies being made on the Brent Council's website as follows.

- a) The first apology resulted from an upheld complaint arising from the sharing of a link to a video discussion on the Dudden Hill Mutual Aid Group WhatsApp group. It was held to be in breach of paragraph 4 (high standards), para 5 (seven principles of conduct in public life and para 12 (conduct... in a manner which could reasonably be regarded as bringing your office or the council into disrepute) of the Member's Code of Conduct.
- b) The second apology arose in relation to the attendance of two councillors at Ealing Road Temple during a prayer and reflection event. The complaint, that the councillors had brought their office into disrepute, was not upheld but both councillors acknowledged they had inadvertently breached the restrictions on such events in place at the time and were apologetic about how this may have appeared to the public.

Gifts & Hospitality

3.8 Members are required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This includes 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.

- 3.9 Gifts and hospitality received by Members are published on the Council's website and open to inspection at the Brent Civic Centre.
- 3.10 The Committee will recall that only one gift/ hospitality was recorded during 01.1.20 – 31.12.20. The main rationale for this decline being the national lockdowns due to Covid -19. The Committee will recall, that at its request, members were reminded that gifts and hospitality could still be declared and a note was placed in the Members Bulletin (11.09.20) asking Members to complete the form if they had any Gifts and Hospitalities to declare.
- 3.11 During the third quarter (October to December 2020) one gift and hospitality entry has been recorded as per the table below. To date, no further gifts or hospitality has been recorded.

Councillor	Date of gift	Gift received	Value £	From
Cllr Ketan Sheth	24.12.20	Book: Fast Forward - An Autobiography of Andy Cole	£20.00.	Andy Cole/The Jason Roberts Foundation

- 3.12 During 2020 no Monitoring Officer Advice Notes (MOANs) have been issued to Members. A list of all MOANs issued since 2015 is available on the Member's internal SharePoint portal.

Member Training Attendance

- 3.13 At this Committee's request reports updating it on the attendance records for Member's in relation to mandatory training sessions has become a standard reporting item.
- 3.14 The Committee will know that:
- It is a requirement of the Members' Code of Conduct that all members' *"must attend mandatory training sessions on this Code or Members' standards in general, and in accordance with the Planning Code of Practice and Licensing Code of Practice"*.
 - The schedule for all mandatory sessions is ordinarily published and approved in the Council calendar at the May Annual Council meeting. There was no Annual Meeting in May 2020 in view of the Regulations which removed this requirement for this municipal year because of the COVID crisis. For 20/21, the Chief Executive agreed the annual calendar of meetings in consultation with the Political Groups. The annual calendar was then confirmed at the council meeting on 13.07.20.
 - All internal training sessions attended by Members are published on the Council's Website and on individual Member profile pages.

- d) For face-to-face training sessions, reminders are sent via email, calendar invitations, text messages and, on some occasions, direct telephone calls to Members. The same reminder process is employed for re-run(s) of sessions, where applicable, to take account of personal circumstances like work commitments and childcare arrangements etc.
 - e) Currently, there are five mandatory training sessions provided for all Members and five mandatory sessions provided for Committee Members and, where appropriate, co-opted Members. These are set out in Table 1 below.
 - f) Mandatory sessions are provided annually and all Committee Members and substitutes are required to attend the relevant session. In addition, all other Members are invited to attend the sessions.
 - g) Since the Covid -19 crisis mandatory training sessions have been delivered by zoom and recorded. This has built in flexibility by:
 - enabling Members not able to attend scheduled sessions to view the recordings;
 - provided a resource for future use/reference;
 - releasing officers' time, so they are not required to schedule repeat sessions.
- 3.15 During 2020 the Committee received regular updates on Members who had not completed the mandatory training sessions. On the 31.03.21 the Committee was notified that all Members had now undertaken and completed all mandatory training with exception of the Unconscious Bias and Data Protection/GDPR training.
- 3.16 The Committee will recall due to the subject matter, the unconscious bias training, which was delivered virtually on the 11.09.20, was not recorded. At the time this session was not mandatory and was attended by 42 members. A list of members who were not able to attend is summarised in Appendix A. A further session is presently being scheduled to take place in the latter part of 2021. This training is now mandatory.
- 3.17 In relation to the Data Protection/GDPR training, a list is attached at Appendix B of members who are yet to complete this training. This training is mandatory. To date, a deadline date to complete this training has not been imposed. The Committee will note Cllr Ramesh Patel has been, and presently is, exempt from attending member training.
- 3.18 As the Committee will know a fresh member development and training programme for 2021-2022 will commence in May 2021.

Table 1

Mandatory Training	Attendee requirement
1) Standards and the Code of Practice	All Members
2) Corporate Parenting & Safeguarding Children	All Members
3) Safeguarding vulnerable adults	All Members
4) Equalities Training	All Members
5) Data and Information Security (UK GDPR training) E-learning modules	All Members
6) Planning	Committee Members only
7) Alcohol and Entertainment Licensing	Committee Members only
8) Scrutiny induction	Committee Members only
9) Audit & Standards Committee and the Audit & Standards Advisory Committee induction training	Committee Members only
10) Brent Pensions Fund – Approach to responsible investment	Committee Members only

4.0 Financial Implications

4.1 There are no financial implications arising out of this report.

5.0 Legal Implications

5.1 Pursuant to the Localism Act 2011, the Council has to have arrangements in place to deal with any allegations of failure to comply with the code of conduct and must appoint an Independent Person whose views are sought and taken into account by the council before it makes its decision on an allegation that it has decided to investigate.

5.2 The Council, individual Members and co-opted Members are required to promote and maintain high standards of conduct in accordance with s27 of the Localism Act 2011. The attendance at mandatory training sessions is a means to achieve this and a requirement pursuant to the Brent Members' Code of Conduct as set out in Part 5, of the council's Constitution.

6.0 Equality Implications

6.1 There are no equality implications arising out of this report.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources/Property Implications (if appropriate)

8.1 Not applicable.

Report sign off:

Director of Legal, HR, Audit & Investigations

Appendix A
Unconscious Bias Training

Councillors to attend – re -scheduled workshop

- 1) Councillor Abdirazak Abdi
- 2) Councillor Amer Agha
- 3) Councillor Mansoor Akram
- 4) Councillor Jumbo Chan
- 5) Councillor Rita Conneely
- 6) Councillor Mary Daly
- 7) Councillor Tony Ethapemi
- 8) Councillor Ernest Ezeajughi
- 9) Councillor Anton Georgiou
- 10) Councillor Faduma Hassan
- 11) Councillor Claudia Hector
- 12) Councillor Arshad Mahmood
- 13) Councillor Roxanne Mashari
- 14) Councillor Lloyd McLeish
- 15) Councillor Wilhelmina Mitchell Murray
- 16) Councillor Joshua Murray
- 17) Councillor Kana Naheerathan
- 18) Councillor Rameshchandra Patel
- 19) Councillor Ahmad Shahzad
- 20) Councillor Ketan Sheth
- 21) Councillor Anita Thakkar

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Appendix B

List of members required to complete the Data Protection/GDPR training

Data Protection for Elected Members
1) Councillor Abdirazak Abdi
2) Councillor Reg Colwill
3) Councillor Rita Conneely
4) Councillor Mary Daly
5) Councillor Harbi Farah*
6) Councillor Erica Gbajumo
7) Councillor Faduma Hassan
8) Councillor Claudia Hector*
9) Councillor Daniel Kennelly*
10) Councillor Arshad Mahmood
11) Councillor Roxanne Mashari
12) Councillor Lloyd McLeish
13) Councillor Kana Naheerathan*
14) Councillor Neil Nerva*
15) Councillor Ramesh Patel
16) Councillor Keith Perrin*
17) Councillor Eleanor Southwood*

Key: '*' denotes members who have started but are yet to complete their training.

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 Brent	Audit and Standards Advisory Committee 11 May 2021
	Report from the Director of Legal, HR, Audit and Investigations
Review of the Use of Regulation of Investigatory Powers Act 2000	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	<p>Debra Norman Director of Legal, HR, Audit & Investigations Tel: 020 8937 1578 Debra.Norman@brent.gov.uk</p> <p>Biancia Robinson Senior Constitutional & Governance Lawyer Tel: 0208 937 1544 Biancia.Robinson@brent.gov.uk</p> <p>Tola Robson Principal Lawyer Criminal Litigation and Licensing Tel: 020 8937 1455 Omotolani.Robson@brent.gov.uk</p>

1. Purpose

- 1.1. This report explains the Council's use and conduct of surveillance techniques in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000; and complies with its annual reviewing obligations as set out in Brent Council's RIPA policy and procedures.

2. Recommendations

- 2.1. That the Committee notes the contents of this report.

3. Detail

Background

- 3.1. The Regulation of Investigatory Powers Act 2000 (RIPA) gave the Council significant powers in order to investigate serious matters and offences. It enables the Council to use covert surveillance, covert human intelligence sources (CHIS) and the acquisition of service user or subscriber information in relation to communications data in a manner which is compatible with Article 8 of the European Convention on Human Rights (which governs an individual's right to respect for their private and family life). Before the Council may undertake covert surveillance, there are various criteria which must be met including approval of the application by a Magistrate.
- 3.2. Covert surveillance techniques include static surveillance (e.g. taking up an observer post to monitor the activities and movements of those suspected of having committed criminal offences); mobile surveillance (e.g. following someone to see where they are going without their knowledge) and using hidden CCTV at a crime hotspot. RIPA refers to these techniques as 'directed surveillance'. It also extends to the use of undercover officers and informants. RIPA refers to these as 'Covert Human Intelligence Sources' (more commonly referred to as CHISs).

Inspection

- 3.3. The Council is periodically inspected by the Office of Surveillance Commissioners (now superseded by the Investigatory Powers Commissioner's Office). Inspections focus on RIPA policies, procedures and practice. The last inspection was undertaken on the 9 March 2020; and this Committee will recall it considered a report in May 2020 which noted that the Inspector was very impressed with Brent at his last inspection, he was happy with his 2020 inspection findings and there were no recommendations arising out of his inspection.

Changes to RIPA policy

3.4. The RIPA Policy and procedures were revised in 2016 where it was commented by the Commissioner to be “excellent”. Further changes were made in 2020 in relation to the acquisition of Communications Data to ensure that it remains up to date and compliant with the Home Office’s revised Codes of Practice; the consequences of non-compliance with the RIPA framework and changes to Data Protection legislation. All of which were considered by this Committee and approved by the Inspector.

3.5. No changes to the policy are currently proposed.

Oversight

3.6. The Council’s use and conduct of covert surveillance techniques is overseen internally by the Council’s Monitoring Officer, who also acts as the Council’s Senior Responsible Officer (SRO) for the purposes of the Home Office codes of practice.

3.7. The Monitoring Officer also keeps the Council’s RIPA policy and procedures document under review and updates it as and when necessary. This ensures compliance with the most current legislation, statutory codes of practice, technical guidance and best practice. It is also necessary to keep the list of authorising officers up to date and for administrative, technical and presentational changes to be made from time to time to ensure the document acts as a helpful source of instruction and guidance to all officers of the Council. In addition, the SRO is responsible for:

- a) the integrity of the process in place for the management of CHIS and directed surveillance;
- b) compliance with the codes of practice;
- c) engagement with the IPCO inspectors when they conduct their inspections;
- d) oversight of the implementation of post-inspection action plans;
- e) ensuring authorisation officers are of an appropriate standard (where a IPCO report highlights concerns about the standard of authorising officers, the SRO will be responsible for ensuring the concerns are addressed).

3.8. In accordance with paragraph 4.47 of the Covert Surveillance and Property Interference Code, Councillors have a formal scrutiny role in relation to RIPA and should regularly review the authority’s use of RIPA. Accordingly, it was decided that this Committee should conduct a high-level annual review. Any significant policy changes recommended by the Committee arising from its review will be reported to Cabinet for decision.

Use of RIPA

3.9. Following the introduction of legislative changes in the RIPA regime, the number of RIPA authorisations declined within local authorities. In more recent years, this combined with the shrinking size of the council investigative teams, and in part the improvements with investigative methods has meant there is

less reliance on directed surveillance. In Brent, for the current financial year, there has been zero RIPA Directed Surveillance or CHIS authorisations. Table 1 below sets out the directed surveillance authorisations in previous years. Table 2 shows the number of requests for communications Data pursuant to the Investigative Powers Act 2016

Table 1

Year	Number of Authorisations
2020/2021	0
2019/2020	0
2018/2019	0
2017/2018	0
2016/2017	1
2015/2016	0

Table 2

Year	Number of Requests	Purpose
2017/18	6	Freedom pass fraud
2018/19	39	Doorstep crime and rogue trading investigation.
2019/20	0	
2020/21	18.	Subletting of council housing

3.10. RIPA powers are now predominantly used to enforce trading standards controls and, in particular, to conduct test purchases of age restricted products such as alcohol. It is occasionally used in the context of serious fraud investigations.

4. Financial Implications

4.1. There are no financial implications arising out of this report.

5. Legal Implications

5.1. The legal considerations are contained within the body of the report.

6. Equality Implications

6.1. Under section 149 of the Equality Act 2010, the council has a duty when exercising its functions to have 'due regard' to the need to eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act and advance equality of opportunity and foster good

relations between persons who share a protected characteristic and persons who do not. This is the public sector equality duty.

6.2. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

6.3. Due regard is the regard that is appropriate in all the circumstances.

6.4. There are no equalities implications arising from this report.

7. Consultation with Ward Members and Stakeholders

7.1. None

Report sign off:

DEBRA NORMAN

Director of Legal, HR, Audit and Investigations

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Audit & Standards Advisory Committee 11 May 2021

Report from the Director of Finance

2020/21 Treasury Management Outturn Report

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Three Appendix 1 – Debt and Investment Portfolio Appendix 2 – Prudential Indicators Appendix 3 - Internal Investments: Average Rate vs Credit Risk
Background Papers:	Treasury Management Strategy Report to Council – 19 February 2020
Contact Officer(s): (Name, Title, Contact Details)	Amanda Healy Head of Finance Tel: 020 8937 5912 amanda.healy@brent.gov.uk Homun Bui Senior Finance Analyst Tel: 020 8937 3745 homun.bui@brent.gov.uk

1. Introduction

- 1.1 This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2020/21.

2. Recommendations

- 2.1 The Audit and Standards Advisory Committee is asked to consider and note the 2020/21 Treasury Management outturn report, in compliance with CIPFA's Code of Practice on Treasury Management (the Code).

- 2.2 Note that for 2020/21 the Council has complied with its Prudential Indicators which were approved by Full Council on 19 February 2020 as part of the Council's Treasury Management Strategy Statement and Capital Strategy Statement.

3. Background

- 3.1 The Council's treasury management activity is underpinned by the CIPFA Code, which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year.
- 3.2 This report also fulfils the Council's obligations under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Investment Guidance.
- 3.3 The Council has borrowed money over the long term to support investment in the Council's infrastructure and also invests cash balances held for short periods. It is 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 risk are central to the Council's treasury management strategy.

Economic Background

- 1.4 The coronavirus pandemic dominated 2020/21. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.
- 1.5 Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.
- 1.6 A Brexit trade deal was agreed with only days to spare before the 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.
- 1.7 The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion in November 2020. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

- 1.8 Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have helped protect more than 11 million jobs.
- 1.9 Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.
- 1.10 Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).
- 1.11 After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

Financial markets

- 1.12 Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.
- 1.13 Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.
- 1.14 The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

- 1.15 1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

Local Context

- 1.16 On 31st March 2020, the Council had borrowing of £598.8m arising from its revenue and capital income and expenditure. The table below summarises the Council's borrowing activity during 2020/21. The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) was £928.1m at 31/03/2021 and had net borrowing of £659.1m.

Table 1: CFR and Borrowing Summary

	Balance on 01/04/2020	Borrowing Repaid	New Borrowing	Balance on 31/03/2021	Average Rate	Average Life
	£m	£m	£m	£m	%	Years
CFR	821.8			928.1		
Short Term Borrowing	133.0	(158.0)	142.0	117.0	0.21%	0.54
Long Term Borrowing	465.8	(3.7)	80.0	542.1	3.96%	31.6
TOTAL BORROWING	598.8	(161.7)	222.0	659.1		

- 1.17 Internal borrowing is a treasury management practice whereby the Council utilises its cash balances on a temporary basis until the original plans for the cash falls due. This delays the need to borrow externally and as a result the net borrowing for 2020/21 was £269m lower than the Capital Finance Requirement.
- 1.18 In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Councils that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process Councils will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.
- 1.19 With short-term interest rates remaining much lower than long-term rates, the Council considered it more cost effective in the near term to utilise a mixture of short-term loans and long-term loans throughout the year to fund the borrowing requirement.
- 1.20 The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the

PWLB borrowing rate, as a result the Council secured an additional £80m of long term borrowing from PWLB at a rate of 1.64% to support its activities in March 2021.

- 1.21 The detailed borrowing portfolio for the Council is shown in table 2 below.

Table 2: Borrowing Position

	Balance on 01/04/2020 £m	Net Movement £m	Balance on 31/03/2021 £m	Average Rate %	Average Life (years)
Public Works Loan Board	300.3	76.3	376.6	4.23%	29.3
Banks (LOBO)	70.5	0.0	70.5	4.64%	43.9
Banks (fixed-term)	15.0	0.0	15.0	4.27%	36.3
Other (fixed-term)	80.0	0.0	80.0	2.01%	22.5
Local authorities (short-term)	133.0	(16.0)	117.0	0.21%	0.54
TOTAL BORROWING	598.8	60.3	659.1		

- 1.22 The Council has £70.5m exposure to LOBO loans - Lender's Option Borrower's Option of which £41m of these can be "called" during 2020/21. Under the LOBO arrangements lenders can exercise their rights at set times to amend the interest rate on the loan. At that point, the Borrower can accept the revised terms or reject them and repay the loan without penalty. LOBO loans present a potential refinancing risk to the Council since the decision to call a LOBO is entirely at the lender's discretion. This risk is mitigated by the fact that the Council's current cash holdings mean that any repayment could be accommodated by reducing deposits. Due to the current low interest rates, no banks exercised their option during the year.

Investment Activity

- 1.23 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £18m and £182m due to timing differences between income and expenditure.
- 1.24 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The table below summarises investment activity during 2020/21.

	Balance on 01/04/2020	Investments made	Investments repaid	Balance on 31/03/2021	Average Rate	Average Life
	£m	£m	£m	£m	%	Days
Fixed term deposits	0.2	20.0	(0.2)	20.0	0.01%	32
Deposits with the UK DMO	104.7	3,102.6	(3,207.3)	(0.0)	0.07%	2
Money Market Funds and notice deposits	5.0	702.3	(624.6)	82.7	0.06%	
TOTAL INVESTMENTS	109.9	3,824.9	(3,832.1)	102.7	0.06%	32

- 1.25 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2020/21 which defined "high credit quality organisations" as those having a long-term credit rating of A- or higher that are domiciled in the UK or overseas where the sovereign rating is AA+ or higher.
- 1.26 Throughout the first three months of the pandemic, the Council moved the majority of its investments into highly secure deposits with the UK Debt Management Account Deposit Facility whilst the impact of financial markets was uncertain. The investments are made for a fixed duration to ensure liquidity. This has led to a high value of investments made and repaid during the first half of the year. The Council also maintained £5m in high quality money market funds to ensure liquidity for urgent payments including procuring Personal Protective Equipment (PPE). As markets stabilised, the Council moved its investment balance back into money market funds.
- 1.27 The return on Money Market Funds net of fees also fell over the six months and for many funds net returns range between 0% and 0.1%. In many instances, the fund management companies have temporarily lowered or waived fees to maintain a positive net return.
- 1.28 The inter-local authority market has remained above zero throughout the year but rates have remained extremely low. There is limited availability for investments with local authorities for less than one-month so the Council utilised money market funds to manage these short-term differences between income and expenditure.
- 1.29 There was a downward movement in short-term investments throughout the year the Council's existing short-term borrowing matured and the Council's internal resources were utilised. The new borrowing undertaken in March 2021 has brought this balance back to similar levels as the closing position last year.

Credit developments and credit risk management

- 1.30 During the year credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government.
- 1.31 The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Council's counterparty list recommended by our treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.
- 1.32 The Council is holding funds across a range of money market funds and a short term deposit in a local authority at the end of the year to maintain a diverse portfolio and ensure availability of cash for unexpected payments.

Yield

- 1.33 The Council's average cash balance during 2020/21 was £82.2m and interest earned was £0.04m, an average return of 0.05% (2019/20 – average cash balance of £85.2m and interest earned was £0.7m or 0.83%). The low rates of return on the Council's short-dated money market investments reflect prevailing market conditions and the Council's objective during 2020/21 of optimising returns commensurate with the principles of security and liquidity. The Council had sufficient capacity within the Capital Financing Budget to cover the reduction in investment income whilst benefitting from the reduction in short-term borrowing costs.
- 1.34 The Council only had exposure to negative interest rates for one deposit held overnight with the UK DMO in December 2020. The deposit was made as part of our contingency arrangements due to a system issue on the day. The loss incurred on this deposit was £43.
- 1.35 In response to the coronavirus pandemic, the Bank of England's Monetary Policy Committee (MPC) cut official interest rates to a new all-time low of 0.1% in March 2020. The market had seen a significant downward trend from February 2020 onwards, which affected the investment return throughout 2020/21.

Update on Investments with Icelandic Banks

- 1.36 The Council recovered 98% of its £10 million deposit with Heritable Bank. The investment concluded in 20/21 with a final repayment of £95k received in July 2021.

Compliance

- 1.37 The Council confirms that it has complied with its Prudential Indicators for 2020/21, which were approved by the Council on 19 February 2020 as part of the Council's Treasury Management Strategy Statement.
- 1.38 In accordance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2020/21. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Further information is set out in Appendix 1, 2 and 3.

Investment Training

- 3.34 The needs of the Council's treasury management staff for training in investment management are kept under review and considered as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
- 3.35 During 2020/21 staff attended training courses, seminars and conferences provided by both Arlingclose, CIPFA and a variety of other organisations.

4. Financial Implications

- 4.1 Already noted within the report as this is the Treasury Management Outturn Report.

5. Legal Implications

- 5.1 None identified.

6. Diversity Implications

- 6.1 None identified.

7. Staffing Implications

- 7.1 None identified.

Report sign off:

MINESH PATEL
Director of Finance

Appendix 1

Debt and Investment Portfolio Position 31/03/2021

	Actual Portfolio as at 31/03/2021 £m	Average Rate as at 31/03/2021 %
External Borrowing:		
PWLB - Maturity	282.0	5.7
PWLB - Equal Instalments	94.7	2.3
Fixed Rate Market Loans	95.0	4.3
LOBO Loans	70.5	4.6
Short-term Loans	117.0	0.2
Total External Borrowing	659.1	3.3
Other Long Term Liabilities:		
PFI	24.0	9.5
Finance Lease	2.4	4.1
Total Long Term Liabilities	26.5	9.0
Total Gross External Debt	685.6	3.5
Investments:		
Deposits	20.2	0.1
Money Market Funds	82.7	0.5
Total Investments	102.9	0.4
Net Debt	582.7	

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Appendix 2

Prudential Indicators

(a) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2020/21 is shown in the table below:

Capital Financing Requirement	31/03/2021 Estimate £m	31/03/2021 Actual £m
General Fund	686.7	683.0
HRA	283.2	245.1
Total CFR	969.9	928.1

(b) Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31/03/2021 Estimate £m	31/03/2021 Actual £m
Borrowing	673.4	659.1
PFI Liabilities	24.0	24.0
Total Debt	697.4	683.1
Capital Financing Requirement	969.9	928.1
Borrowing in excess of CFR?	No	No

(c) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring.

Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

	Operational Boundary £m	Authorised Limit £m	Actual External Debt £m 31/03/2021
Borrowing	1,000.0	1,200.0	659.1
Other Long Term Liabilities			26.5
Total	1,000.0	1,200.0	685.6

The Director of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2020/21.

(d) Upper Limits on one-year revenue impact of a 1% movement in interest rates

This indicator is set to control the Council's exposure to interest rate risk. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

	2020/21 Approved Limits £m	31/03/2021 Actual £m
Upper limit on one-year revenue impact of a 1% rise in interest rates	5.0	0.2
Compliance with limits:		Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	5.0	0.2
Compliance with limits:		Yes

(e) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The Council uses the option date as the maturity date for its LOBO loans.

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing at 31/03/2021	% of Fixed Rate Borrowing at 31/03/2021	Compliance with set limits?
	%	%	£m	%	Yes / No
Under 12 months	40%	0%	127	19%	Yes
12 months and within 24 months	40%	0%	11	2%	Yes
24 months and within 5 years	40%	0%	17	3%	Yes
5 years and within 10 years	60%	0%	24	4%	Yes
10 years and within 20 years	75%	0%	94	14%	Yes
20 years and within 30 years	75%	0%	102	15%	Yes
30 years and within 40 years	75%	0%	224	34%	Yes
40 years and within 50 years	75%	0%	56	8%	Yes
50 years and above	75%	0%	5	1%	Yes
			659.1	100%	

(f) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	31/03/2021 Estimate £m	31/03/2021 Actual £m
General Fund	173.0	111.8
HRA	92.1	59.8
Total	265.1	171.6

(g) Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	31/03/2021 Estimate	31/03/2021 Actual
Financing costs Proportion of net revenue stream (%)	14.9 5.6%	17.7 4.5%

(h) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council adopted the principles of best practice.

Statement: The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 (2017 Edition).

(i) Upper Limit for Total Principal Sums Invested Over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for Total Principal Sums Invested Over 364 Days	31/03/2021 Approved	31/03/2021 Actual
	£m	£m
Limit on principal invested beyond a year	500	0

(j) Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit Risk Indicator	31/03/2021 Target	31/03/2021 Actual
Portfolio average credit rating	A	A+


(k) Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity Risk Indicator	31/03/2021 Target £m	31/03/2021 Actual £m
Total cash available within 3 months	20.0	102.7

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	Audit and Standards Advisory Committee 11 May 2021
	Report from the Director of Legal HR, Audit and Investigations
Internal Audit Annual Report 2020/21	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Three Appendix A - High Risk Issues from 2020/21 Audits Appendix B – Follow up Reviews Appendix C - Issues Raised in School Audits 2020/21
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Michael Bradley Head of Audit and Investigations Tel: 07920 581620 Michael.bradley@brent.gov.uk

1. Summary

- 1.1. This report includes an opinion on the overall adequacy and effectiveness of the Council's internal controls and presents a summary of the Internal Audit work undertaken during the year.

2. Recommendations

- 2.1. The Audit and Standards Advisory Committee note the content of the report.

3. Detail

- 3.1. The Accounts and Audit Regulations 2015 require the Council to undertake an internal audit of its control systems, taking into account the Public Sector

Internal Audit Standards (PSIAS). These require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion, and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Opinion of the Head of Audit and Investigation

- 3.2. This report gives a summary of the work carried out by Internal Audit in 2020/21. From the work undertaken during the year, my overall opinion on the Council's system of internal control is that:

I have considered all of the work conducted by Internal Audit for the year ended 31 March 2021.

In my opinion, with the exception of those areas in which there were a number of high risk issues raised (as set out below), the controls in place in the areas reviewed are adequate and effective.

Where weaknesses have been identified within internal audit reports and investigations, these have been accepted and actions agreed by management.

The framework for governance is set out in the annual governance statement and, in my view, this is an accurate description of the governance arrangements.

In relation to risk management, I have oversight of the risk management process and conclude that a range of significant risks for the authority have been identified and are being managed.

Summary of Work Undertaken

- 3.3. The 2020/21 Audit Plan was approved by the Audit and Standards Advisory Committee in March 2020. The plan originally had a total of 48 audits (excluding follow up reviews, schools audits and advisory work) together with 11 audits that were in progress at the end of 2019/20. The plan has been delivered via an in-house team in partnership with a contracted service from PWC.

Internal Audits	Number
In progress from 2019/20	11
Additions to plan during year	8
Completed	32
In progress - draft report issued to management	8
In progress - fieldwork	6

Deferred to 2021/22	17
Cancelled	4
Schools	4
Follow Up Reviews	29

- 3.4 We have liaised with senior management throughout the year to ensure that internal audit work focuses on high risk areas and, in light of new and ongoing developments in the organisation, ensure the most appropriate use of resources.
- 3.5 The Council has a programme to migrate from the existing finance, procurement and HR/Payroll system to a single Oracle Cloud solution. Audit have been carrying out a real time review to provide assurance on the controls and governance of the programme. Two audit memos have been issued during the year. In a separate audit work stream auditors provided ongoing advice and guidance in respect of risk and controls to each of the HR, Procurement and Finance work streams.
- 3.6 Internal Audit were requested to carry out a number of additional pieces of audit work in relation to the Coronavirus pandemic. This work mainly focused on supporting staff dealing with grant payments ensuring that new processes for payments were properly risk assessed and controlled in order to protect public funds and to minimise the occurrence of fraud. In addition to specific recommendations, a list of key controls and processes were identified and reported for any future grants.
- 3.7 Audit work focused on the reliability of the financial and operational information, management accounting controls, safeguarding of assets, economy and efficiency of operations and review of compliance with relevant statutes and Council regulations.
- 3.8 For each audit where controls have been analysed and a report agreed with management, an indication of the level of confidence is gained by examining the number of issues raised and their associated risk level.
- 3.9 The following table shows the audits completed during the 2020/21 financial year and the number of issues raised together with their risk level. Key themes are captured below. Audits raise issues and assist management in identifying cost-effective actions to mitigate. Management have engaged fully with Audit in identifying these areas and then in undertaking and concluding the mitigation work.

Audit	High Risk Issues	Medium Risk Issues	Low Risk Issues
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Finance

Barham Park Accounts	Review of Accounts
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Community and Wellbeing			
Residential and Nursing Care	2	0	3
GLA Affordable Housing Program	0	3	0
Children and Young People			
Placements for Children with Disabilities	0	3	1
Customer and Digital Services			
Registrars	0	2	2
IT Sourcing & Procurement	0	4	1
IT Governance	0	3	1
Robotic Process Automation	0	4	0
Platform Review	2	2	1
GDPR	0	3	1
PCI DSS	1	0	1
Oracle Cloud Program Management	N/A		
IT Disaster Recovery	1	7	0
Cyber Workshop	Workshop		
Housing Benefits Verification Appeals	0	0	3
Regeneration and Environmental Services			
Highways	0	1	1
Schools Capital Program	1	3	0
Parking Enforcement	0	0	3
Fleet Management	3	1	0
Health and Safety - Lone Workers	0	2	1
Health and Safety - Legionella	0	3	1
Kensal Triangle Parking Permits	N/A		
Assistant Chief Executive			

Voluntary Sector Funding	0	8	1
Complaints Handling	0	0	4
Neighbourhood CIL	0	4	1

i4B/First Wave Housing

FWH - Service Level Agreements	0	3	2
I4B - Service Level Agreements	0	4	2

Covid 19 Related Work

Veolia Open Book Review
Compliance and Enforcement Grant Declaration
Business Support Grants
Discretionary grant payments
Residents Support Fund Grant

- 3.10 Further details on the high risk issues raised can be found in Appendix A.
- 3.11 Draft reports have been issued to management and are awaiting responses on the following audits:
- Capital Letters
 - Council Tax
 - IT Asset Management in the Shared Service
 - Additional Restrictions Grant (Covid related)
 - IT Project Delivery
 - Housing Client Function
 - Introductory Tenancies
 - Housing Succession
- 3.12 The following audits are in progress at year end with draft reports to be issued shortly:
- Accounts Payable
 - Treasury Management
 - Contract Management
 - Planning
 - Temporary Workers
 - Leaseholder Repairs
- 3.13 Key themes identified across audits were:
- Policies, procedures and training including missing or out-of-date guidance and
 - Operational issue and risk management in services including the escalation of risks and actions.

- 3.14 Internal Audit also completed a number of grant claim certifications for the Troubled Families Programme.

Follow up Reviews

- 3.15 As part of the audit process, follow-up reviews are carried out to ensure that agreed management actions in respect of significant risks have been implemented. This process continued through 2020/21.
- 3.16 During the year 29 follow-up reviews were completed which included seeking evidence that 224 management actions had been implemented as agreed. The results of which were:

Action Status	Number
Implemented	167
Partially Implemented	44
Not Implemented	9
No Longer Relevant	4

- 3.17 Where actions remain partially or not implemented, revised completion dates have been agreed with management when Internal Audit will revisit to confirm implementation where appropriate. Details of the follow up reviews are set out in Appendix B.
- 3.18 Work continues in ensuring the status of all outstanding recommendations are reported appropriately to the Council Management Team for action and the Audit and Standards Advisory Committee for information.

Schools

- 3.19 A program of 11 school audits focusing on governance, financial processes and accompanying back office resources were scheduled for 2020/21. This included one carried over from 2019/20. Due to the Coronavirus situation, no school audits were possible until the second half of the Autumn term. A revised approach was used; reviewing documentation remotely and carrying out virtual meetings to discuss issues arising. Four school audits were completed this way.
- 3.20 Carrying out audits remotely led to issues with the review of documentation and reviews took longer than usual. However, we were able to complete sufficient testing to provide assurance that the schools audited were operating within a robust governance, risk management and control framework and that their resources were managed appropriately and effectively.
- 3.21 In three of the schools, standards were 'reasonable' or higher. Although issues were raised at all schools, many were quite minor in nature. One audit resulted in a number of high risk actions being raised. Management at the school have developed an action plan based on our recommendations. A follow-up audit will be undertaken at this school in 2021/22 and the outcomes reported to the Committee

- 3.22 Further information on the areas where issues were raised are included in Appendix C. The remaining school reviews have been postponed until 2021/22.
- 3.23 Internal Audit continue to attend the Teachers' Panel and School Information Exchange meetings to discuss the audit process, key risk areas and any other concerns raised by schools.

Internal Audit Performance

- 3.24 While we ensured that the priority audits and associated key risks were addressed during the year, there were a number of reviews in the audit plan that could not be completed during 2020/21 due in part to resources being redirected on to Coronavirus related work. These have been risk assessed and a number of them have been rescheduled in 2021/22.
- 3.25 For part of April and May two members of the Audit team volunteered to contact Brent Residents who were shielding, offering advice and guidance from the NHS, making referrals where necessary for specific assistance to be provided.
- 3.26 A new Principal Auditor was appointed and joined in July 2020. In September, the Auditor Apprentice was promoted to Internal Auditor. The team continues to be supplemented by a (reduced) contracted resource from PWC.

Customer Satisfaction

- 3.27 Management have provided feedback on individual audits which has been incorporated into the continuous improvement of the service where relevant.
- 3.28 A total of seven questionnaires were returned, a return rate of 22%. The questionnaires ask the auditees to provide feedback on areas including usefulness of the audit, quality of the report and usefulness of any recommendations made. 95% of responses were positive with either a satisfied or very satisfied opinion.

Quality Assurance and Improvement Program

- 3.29 The Public Sector Internal Audit Standards (PSIAS) state that an external assessment must be conducted at least once every five years by a qualified, independent assessor. This was carried out during 2018/19 and the result was reported to the Audit and Standards Advisory Committee.
- 3.30 The conclusion of the review was that the Brent Internal Audit Service conformed with the PSIAS. The outcome reflected a professional and successful Internal Audit service. The service commands a good level of respect and credibility across the Council and is seen as a key part in supporting and developing good governance within the Council. We will be arranging for a future peer review of the service via the London Audit Group.
- 3.31 An internal assessment is now due and this will be carried out during 2021/22 with the results to be reported to the Audit and Standards Advisory Committee.

4. **Diversity Implications**

None

Report sign off:

DEBRA NORMAN

Director of Legal, HR, Audit and Investigations

Appendix A

High Risk Issues from 2020/21 Audits

A high risk issue is one that could have a:

- Significant impact on operational performance; or
- Significant monetary or financial statement impact; or
- Significant breach in laws and regulations resulting in significant fines and consequences; or
- Significant impact on the reputation or brand of the organisation.

Audit Title	High Risk Issues
Residential and Nursing Care	<ul style="list-style-type: none">• Quality assurance reviews: Current guidance for reviewing the quality of providers• Placement reviews: 315 placement reviews were overdue (12 months have passed). Internal reporting on overdue placement reviews.
Platform Review	<ul style="list-style-type: none">• Monitoring to ensure no unauthorised changes are made to configuration settings.• Monitoring of audit logs by management.
PCI DSS	Chargeback letters held on the shared drive.
IT Disaster Recovery	Disaster Recovery Testing: Management have not yet performed a full test or alternatively performed component testing of the DR plan.
Schools Capital Program	Contractor performance management.
Fleet Management	<ul style="list-style-type: none">• Accounting for vehicle finance lease costs in the accounts;• Regular checks on fleet vehicle records and insurance payments.

	<ul style="list-style-type: none">• Fleet management policy and procedure.
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Appendix B

Follow Up Reviews

Audit Title	Management Actions			
	Implemented	Partially Implemented	Not implemented	No Longer relevant
ACE				
Prevent	4	2	0	0
Neighbourhood CIL	5	3	0	0
Complaints Handling	3	1	1	0
CWB				
Direct Leasing	5	2 (1)	0	0
Housing Allocations	4	0	0	0
FINANCE				
Income Management	8	7 (4)*	0	0
Accounts Receivable	9	5 (2)	1	0
Payroll	8	4 (4)	0	2
General Ledger	3	0	0	0
VAT	15	0	0	0
Staff Benefits and Loans	9	0	0	0
i4B/FWH				
i4B Property Acquisitions	4	2 (1)	0	0
FWH Rent Collection	2	3 (1)	0	0
C&DS				
Procurement	9	1 (1)	0	0
IT Access & Identity Mgt	15	1	0	0
IT Sourcing	6	5	2	0

IT Governance	6	0	0	0
Registrars	4	0	0	0
PCI DSS	3	0	0	0

R&ES

Cemeteries	2	0	1	1
Car Parks	3	4	0	0
Schools Capital Programme	11	1	0	0
Parking Enforcement	5	0	0	0
Highways	4	0	0	1
Fleet Management	3	0	4 (2)	0

LHRA

Recruitment and Retention	3	0	0	0
Apprenticeships	4	0	0	0
Attendance Management	1	3	0	0
Case Risk Management	9	0	0	0

The numbers in brackets indicate where high risk actions were either partially or not implemented. These will be subject to further follow up to ensure they are fully addressed.

* Actions to be addressed at the completion of Oracle and AIMS Programmes.

Appendix C

Issues Raised in School Audits 2020/21

School	Governance	Financial Management	Purchasing & Expenditure	HR & Payroll	Income Charging and Banking	Contracts & Leases
Kilburn Park	✓	✓	✓	✓	✓	✓
St Marys CofE	✓	✓	✓	✓	✓	
Kingsbury Green	✓	✓	✓	✓	✓	✓
St Robert Southwell	✓			✓		

Risk

✓	High	✓	Medium	✓	Low
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 Brent	Audit and Standards Advisory Committee 11th May 2021
	Report from the Director of Legal, HR and Audit & Investigations
Counter Fraud - 2020/21 Year End Report	

Wards Affected:

Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Michael Bradley Head of Audit and Investigations Tel: 07920 581620 Michael.bradley@brent.gov.uk

1.0 Purpose of the Report

1.1 The report sets out a summary of the counter fraud activity for 2020/21.

2.0 Recommendation

2.1 The Audit and Standards Advisory Committee to note the report content.

3.0 Detail

Internal Fraud

3.1 Internal referrals include whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports are covered in the 'Proactive' section of this report. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature. The table below sets out key figures in this area for 2020/21.

Table A – Internal Fraud

Internal Fraud	2020/21 (full year)	2020/21 Q4	2020/21 Q3	2020/21 Q2	2020/21 Q1	2019/20 (full year)	2018/19 (full year)
Open Cases b/f	12	15	13	17	12	5	11
New Referrals	38	10	8	7	13	35	28
Closed Cases	29	4	6	11	8	28	34
Open Cases c/f	21	21	15	13	17	12	5
Fraud / Irregularity Identified*	4	0	0	3	1	12	11

* Where closed cases do not identify fraud / irregularity, these are generally recorded as NFA (No Further Action)

3.2 There were 38 new referrals opened during 2020/21 from a variety of sources including whistleblowing. The volume of referrals is consistent with recent years. The trend suggests the service profile and engagement across the council remains effective. Due to the confidential nature of these referrals, it is not appropriate to provide specific details in this report. A summary of the main case types received is as follows:

- Advice or guidance;
- Breach of financial / other regulations;
- Bribery and Corruption;
- Conflict of Interest;
- External offences/conduct by staff;
- Misuse of IT;
- Officer claims / allowances;
- Recruitment irregularities,
- Theft of client funds, and
- Theft of cash / assets.

3.3 Two concluded cases involved misuse of IT systems by new members of staff whilst on probation. Both officers resigned during a disciplinary investigation.

3.4 Another case involved a conflict of interest relating to the procurement of temporary accommodation. Management agreed to implement recommendations to strengthen the verification process and procedures for staff involved with procuring properties for temporary accommodation.

3.5 With most cases under this category, the Counter Fraud team will report to management with any recommendations to improve control and to mitigate future occurrences. It will also liaise with the Internal Audit team for wider consideration in the Audit Plan. Recommendations arising from fraud investigations are followed up with the same rigour as those from Internal Audit work.

3.6 The team arrange regular fraud awareness workshops across all council services. This is an on-going commitment and coverage includes services

where fraud has occurred or where the team's own fraud risk assessment of a service suggests there is a higher fraud risk.

Tenancy and Social Housing Fraud

- 3.7 The recovery of social housing properties by the Counter Fraud team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council. The average value of each recovered tenancy is £93,000 per property as reported by the Cabinet Office (National Fraud Initiative Report 2016). The counter-fraud activity for 2020/21 is summarised in the table below.

Table B – Tenancy and Social Housing Fraud

Housing Fraud	2019/20 (full year)	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2019/20 (full year)	2018/19 (full year)
Open cases b/f	66	70	71	82	66	23	28
New cases	202	42	46	42	72	176	151
Closed cases	186	30	47	53	56	133	156
Open cases c/f	82	82	70	71	82	66	23
Fraud Identified	11	4	3	2	2	19	27

* Notional value of recovered properties (including housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £93,000. (£18,000 used previously)

- 3.8 The total number of fraudulent housing cases concluded was 11 which is lower than recorded for the same period in the previous year of 19. The total notional and actual value of these cases is £1,042,300, which includes one fraudulent Right to Buy application where the discount prevented was £112,300. In addition, the team has completed 18 tenancy audits where fraud was not identified but the tenancy status was verified.
- 3.9 The number of housing frauds detected and concluded in 2020/21 has reduced when compared to an average of 29 total recoveries over the previous three years (19, 27, and 42). The Counter Fraud team work closely with Brent Housing Management's Home and Communities team to improve the quality and quantity of referrals. Of the 114 referrals logged in Q1 and Q2, 19 were from BHM teams. In comparison, of the four successful fraudulent cases concluded in the same period, two were from direct engagement with BHM and the remaining two from internal proactive work. This emphasises the importance of receiving good quality referrals from housing staff through their normal engagement with council tenants. There has been a marked improvement during the last six months; with 40 of the 88 referrals received coming directly from BHM teams.
- 3.10 There are currently 111 live housing investigations – of these, 18 cases are involved with legal proceedings to recover the property, and a further 13 cases have been concluded by the team with a report issued to Housing Management

and other RSLs to instigate recovery action. The team is working closely with the relevant teams to progress these cases.

- 3.11 The team is currently working with Housing Management to provide appropriate access to anti-fraud and tracing systems for their staff to aid verification, particularly with Succession and Right to Buy applications. It is also assisting management to formulate a tenancy audit and anti-fraud strategy, which in Q4 has evolved into a wider BHM strategy called Tackling Social Housing Tenancy Fraud in Brent. The action plan developed is multi-faceted which includes fraud awareness training, and builds upon our existing engagement with BHM.

External Fraud

- 3.12 'External fraud' includes all external fraud / irregularity that affects the council. This will include (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter fraud activity for 2020/21 is summarised in the table below:

Table C – External Fraud

External Fraud	2020/21 (full year)	2020/21 Q4	2020/21 Q3	2020/21 Q2	2020/21 Q1	2019/20 (full year)	2018/19 (full year)
Open cases b/f	37	79	99	94	37	20	13
New Referrals	343	51	85	63	144	193	142
Closed Cases	284	34	105	58	87	176	135
Open cases c/f	96	96	79	99	94	37	20
Fraud / Irregularity identified*	19	3	6	4	6	49	23

* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action).

- 3.13 There has been a significant increase in referrals of this type throughout this year. This is mainly due to a new referral process developed last year with the Parking Service and its contractor Serco to tackle Blue Badge fraud and misuse. Another reason is an increase in referrals relating to Business Rates, particularly business support grants, which is in addition to various proactive work undertaken by the team in this area.

The team has processed 343 referrals this year, compared with 193 in the previous year. 129 of these referrals were closed and the relevant intelligence passed to other council teams and external organisations because they were not part of the team's investigative remit. We expect a similar level of referrals to continue throughout 2021/22.

- 3.14 Successful outcomes decreased compared to the previous year but it is consistent with the year before. The increase in outcomes during 2019/20 was mainly due to the new referral process developed with Parking at the start of that year to manage Blue badge fraud. This year includes seven

cautions/warnings issued for Blue Badge fraud. A further four Blue Badge cases and one grant application case have progressed for further sanction or legal proceedings.

- 3.15 There are currently 100 live cases, which includes 22 Blue Badge, 20 Council Tax and 18 Business Rates related cases. Other case types include; insurance claims, payments, theft of client funds, grants, benefits and other alleged offences affecting the council.
- 3.16 The most significant trend and increase in case types during this year relates to Business Rates and Business Covid-19 Grants. This new referral stream has improved the team's understanding and engagement with the Revenues Service, Capita, and other related services involved with the business support grants. In addition to receiving these types of referrals throughout the year, the team has provided significant advice and support including the sharing of nation-wide intelligence alerts to mitigate fraud risks, particularly impersonation fraud of genuine businesses. Two cases concluded during 2020/21 had a savings value of £50,000. This is in addition to additional proactive and screening activity conducted.
- 3.17 A notable case was a long-standing insurance claim for a personal injury where the council had admitted liability. The original claim, which included loss of earnings, was suspected to be fraudulent with a worst-case scenario value of £1.13M. The claimant withdrew their case as evidence provided by the Investigations team enabled solicitors to move to plead 'Fundamental Dishonesty' in an amended defence. The claimant's solicitors accepted a 'drop hands' offer, which resulted in a net saving for the council of £350,000. A Freedom Pass that the claimant had obtained fraudulently was identified during the investigation and cancelled, producing a further saving of £6,000.

Proactive activity

- 3.18 There were no Blue Badge operations undertaken by the Investigations team during Q1 due to Covid-19 restrictions. Two smaller targeted operations were undertaken during Q2 covering the Neasden and Willesden areas. This was part of a visible presence with other enforcement teams. It resulted in 32 badges inspected and one seized for misuse. A further case where a stolen badge was identified is under investigation. Due to the ongoing Covid-19 risks during Q3 and Q4, the team decided against conducting larger operations though continued to support other enforcement teams in smaller targeted operations.
- 3.19 The mandatory data submissions for the [National Fraud Initiative \(NFI\) 2020](#) exercise has been uploaded in Q3 and results made available during Q4. It has generated 12,120 matches. The team have prioritised reports where the council's live records are matched to deceased persons' data. These reports are generated first and this year totalled 1,912 matches."

One review recently concluded a review of matches of council tenants against deceased data. 122 records were reviewed which generated four referrals that are currently under investigation.

The team is also supporting the Accounts Payable team to review 2,787 matches relating to creditor records. The 2018-20 NFI exercise generated 19,296 data matches covering multiple data reports across the full range of data sets that include Payroll, Pensions, Finance, Creditors, Housing, Benefits, Direct Payments, Parking Permits and concessionary travel. In addition, there is an annual data match between Electoral Roll and Council Tax Single Persons Discount records, which produced over 6,500 matches this year, and resulted in £251,765 actual savings.

To date, the review of NFI reports has identified over £570,000 savings from fraud and error covering a range of service areas. It contributes to the national savings figure of £215M as reported in the NFI [July Report](#). This is in addition to the notional and actual savings identified from other team investigations during the year that totals £791,881.

- 3.20 The team did not commence any new proactive work during Q1 due to an increase in referrals and the provision of additional counter fraud advice and support to services impacted by Covid-19. With the exception of proactive activity relating to business support grants during Q2 and Q3, the only additional proactive work undertaken by the team related to NFI in Q4 and fraud awareness training throughout the year, including a session for Members in Q3 and previous sessions with schools staff including Head teachers, Business Managers and Governors.
- 3.21 In Q2, a post assurance proactive exercise commenced on the business support grants processed by Capita and paid by the council in Q1. This involved data matching approximately 3,600 payment records against anti-fraud systems to identify fraudulent applications. The exercise found 91 matched cases. Of these, 15 were identified for further investigation, which are ongoing although no fraud has yet been identified. The team had also shared ongoing intelligence of known UK-wide grant fraud cases with Capita. This enabled them to identify several fraudulent applications prior to payment, some of these were referred to the team for further investigation with an estimated saving in excess of £100k. This exercise did not include the discretionary grant payments paid to local businesses during Q2 as the fraud risk was less due to additional verification and controls including business and bank account verification checks. These additional checks helped to identify £30k savings prior to payment.
- 3.22 The service has proposed that the Council obtain full membership access to an Internal Fraud Database (IFD) that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). An update was sent to CMT earlier this year and the membership agreement has been reviewed and approved by the Director of Legal, HR and Audit & Investigations.
- The IFD is a repository of fraud risk information that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. This system is focussed on employee fraud and recruitment controls.

- The system will enable the Council to have additional assurance around recruitment and provide the Investigations team with additional resource when conducting internal investigations.
- The team and Cifas is currently working with HR and Recruitment to prepare for a go-live date during Q1 of 2021/22.

Impact of Covid-19 on service

- 3.23 There were 341 referrals across all case types logged during Q1 and Q2, compared with 207 in the same period last year (and 150 the year before). This included 20 Internal, 114 Housing and 197 External referrals. The approximate 60% increase in referrals has coincided with the government's lockdown arrangements. A total of 597 referrals were logged during 2020/21, compared with 540 for 2019/20 (and 307 the year before).
- Alleged unlawful subletting made up the majority of the 201 Housing referrals at 104, with 86 coming from the public and 11 received from internal teams. In addition, 61 of the total received have come from Housing Management, and the majority of these relate to non-residence and false tenancy succession applications.
 - Approximately 65% of all external referrals received were from the public with the majority related to household occupancy irregularities, business grant schemes, parking and other breaches related to lockdown arrangements. This proportion was closer to 80% during Q1 and Q2.
- 3.24 The team provided volunteers to support Adult Social Care with contacting vulnerable and high-risk residents at the start of Q1.
- 3.25 Plans to install four new ID scanners at the Civic Centre in April 2020 had to be postponed, and will be rearranged during Q1 of 2021/22.
- 3.26 The arrangements during Q1 prevented the team from undertaking visits and interviews which meant some cases did not initially progress as normal. The team introduced temporary arrangements at an early stage to manage formal cautions and referrals for legal proceedings. Risk assessments and workable solutions for interviewing and visiting duties were implemented by the start of Q2, which was shared with other services similarly affected. In addition, restrictions with court and other legal proceedings affected the progression of a number of cases throughout the year.
- 3.27 Plans to recruit two new staff in Q1 using a Government anti-housing fraud grant were suspended and had also affected planned training for existing staff to undertake the Counter Fraud Apprenticeship, which did commence in Q3. Recruitment for additional staff will commence during Q1 of 2021/22 with a start date planned for September 2021.
- 3.28 The team have coped and adapted well with the ongoing workload, which has enabled it to assist the council with contacting vulnerable residents, and taking a more advisory approach to help other services cope with increased fraud risks. This has included significant involvement with the both the Business Grant and Business Discretionary Grant schemes to mitigate fraud.

- 3.29 Advice was provided to all managers at the beginning of the pandemic period on fraud awareness when making interim changes to processes and controls in order to deal with the crisis. Additionally specific advice was provided on certain high-risk initiatives such as payment of small business grants.

4.0 Alternative Options Considered

- 4.1 N/A

5.0 Financial Implications

- 5.1 There are no specific financial implications associated with noting this report.

6.0 Legal Implications

- 6.1 There are no specific legal implications associated with noting this report.

7.0 Equality Implications

- 7.1 None.

8.0 Any Other Implications (HR, Property, Environmental Sustainability - where necessary)

- 8.1 None

9.0 Proposed Consultation with Ward Members and Stakeholders

- 9.1 None.

Report sign off:

Debra Norman

Director of Legal, HR, Audit and Investigations

London Borough of Brent Pension Fund audit plan

Year ending 31 March 2021

London Borough of Brent Pension
Fund
30 April 2021
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Contents



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Section

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Significant risks identified

Accounting estimates and related disclosures

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Materiality

Audit logistics and team

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Independence and non-audit services

Appendix 1: Revised Auditor Standards and application guidance

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

Pension Fund development and the Impact of the Covid-19 Pandemic

The Brent Pension Fund scheme is administered locally by Brent Council and is a part of the pay and reward package for employees working in Brent Council or working for other employers in the Borough participating in the scheme.

Brent's Pension fund is funded by scheme members and employers. Scheme members pay contributions to the LGPS. Employers pay in the balance of the cost of providing scheme member benefits after taking into account investment returns. Every three years, an independent actuary calculates how much employers should contribute to the scheme. The amount will vary, but generally the present underlying assumption is that employees contribute approximately one third of the scheme's costs and the employer contributes the rest.

The fund receives approximately £60 million in contributions each year and pays out around £48 million in benefits. It currently holds £835.3 million in investment assets, with an overall deficit of £248 million.

The entity is working towards a pooling arrangement with London Collective Investment Vehicle, with the aim of reducing risk and obtaining efficiencies on fund management fees. The Fund pays LCIV £150k as fees to manage investments and due diligence for them.

Other matters

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Fee discussions are currently in progress between audit firms and PSAA. Our audit plan sets out the starting point based on the 2019/20 proposed audit fee recognising there are further additional cost pressures in 2020/21.
- We will continue to provide you with sector updates via our Audit Committee updates.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have rebutted this risk for all types of revenue. We have also considered the risk of material misstatement due to fraud related to expenditure, and concluded that this is not a significant risk for the Pension Fund.
- There is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We have therefore identified a significant risk in regards to management override of control – refer to page 6.
- Covid-19 pandemic is likely to continue to impact the valuation of investments and as such we will make additional inquiries to investment managers as to whether there are any material uncertainties in their valuations. We have identified a significant risk in regards to the valuation of Level 3 investments specifically as the valuation of these investments is very sensitive to key assumptions – refer to page 6.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of London Borough of Brent Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Standards Advisory Committee).

The audit of the financial statements does not relieve management or the Audit & Standards Advisory Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £8.3m (PY £8.0m) for the Pension Fund statements (equating to 1% of the net assets of the prior year end). We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.415m (PY £0.4m) for the Pension Fund.

Audit logistics

Our interim took place in March 2021 and our final visit will take place between July and September 2021. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit logistics and planned timings are on page 13.

Our fee for the audit is still being assessed. Since appointment as your auditor, there have been a number of developments, particularly in relation to the updated ISAs which are relevant for the 2020/21 and subsequent audits. These together with the findings of the recent Redmond Review mean that we expect the fee to be £33,000. The 2019/20 fee was £25,000).

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 fraudulent revenue recognition	The Pension Fund	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of local authorities, including London Borough of Brent and London Borough of Brent Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for London Borough of Brent Pension Fund</p>	Significant risk rebutted.
Fraudulent expenditure recognition	The Pension Fund	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We were satisfied that this did not present a significant risk of material misstatement in the 2020/21 accounts as:</p> <ul style="list-style-type: none"> - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; - We have not found significant issues, errors or fraud in expenditure recognition in the prior years audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. <p>Therefore we do not consider this to be a significant risk for London Borough of Brent Pension Fund.</p>	Significant risk rebutted.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	The Pension Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>We will:</p> <p>Evaluate the design effectiveness of management controls over journals;</p> <p>Analyse the journals listing and determine the criteria for selecting unusual journals;</p> <p>Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</p> <p>Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and</p> <p>Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</p>
Valuation of Level 3 investments	The Pension Fund	<p>You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £84.3m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2021.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk.</p>	<p>We will:</p> <p>Evaluate management's processes for valuing Level 3 investments;</p> <p>Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; against the requirements of the Code;</p> <p>Independently request year-end confirmations from investment managers and custodian;</p> <p>For a sample of investments, test the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2021 with reference to known movements in the intervening period;</p> <p>In the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert;</p> <p>Test revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register; and</p> <p>Where available review investment manager service auditor report on design effectiveness of internal controls.</p>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

We identified 1 recommendation in our 2019/20 audit in relation to the Pension Fund's estimation process and disclosures around the valuation of level 3 investments. We will follow up progress on this recommendation with management as we complete our audit planning processes.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Standards Advisory Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuation of level 2 and level 3 investments

The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we are addressing additional written enquiries to management and to those charged with governance in order to obtain the expanded understanding of the entity's internal controls required under ISA (UK) 540. We would appreciate a prompt response to these enquiries in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

The Pension Fund is administered by London Borough of Brent (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience and ensure that our work on going concern is proportionate for public sector bodies.

Materiality – Pension Fund

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the fund at the year end. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £8.3m (PY £8.0m) for the Pension Fund, which equates to 1% of your prior year net assets.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

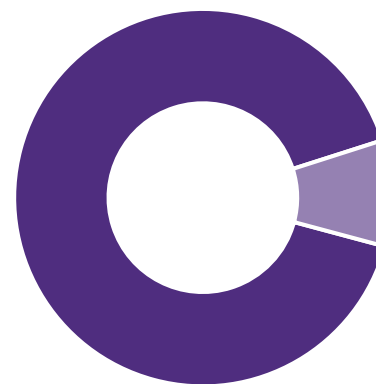
Matters we will report to the Audit & Standards Advisory Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Standards Advisory Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.415m (PY £0.4m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Standards Advisory Committee to assist it in fulfilling its governance responsibilities.

Prior year net assets of the scheme

£839m Pension Fund
(PY: £864m)



■ Prior year net assets of the scheme

Materiality

£8.3mm
Pension Fund
financial
statements
materiality
(PY: £8.0m)



£0.415m
Misstatements
reported to the
Audit Committee
(PY: £0.4m)

Audit logistics and team



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Paul Dossett, Key Audit Partner

Paul will be the main point of contact for the Chair and the Chief Executive and Board Members. Paul will share his knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with the Corporate Management Team and Audit & Standards Advisory Committee. Paul will ensure our audit is tailored specifically to you and is delivered efficiently. Paul will review all reports and the team's work focussing his time on the key risk areas to your audit.



Waqas Hussain, Audit Manager

Waqas will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Waqas will attend Audit & Standards Advisory Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all.



Reshma Ravikumar, Audit In-charge

Reshma will lead the onsite team and will be the day to day contact for the audit. Reshma will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Reshma will undertake the more technical aspects of the audit, coach the junior members of the team and review the teams work.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

Since PSAA awarded a contract of audit for London Borough of Brent Pension Fund, there have been a number of developments, particularly in relation to the revised ISA's which are relevant for the 2020/21 audit.

As communicated on pages 8-10, the new ISA540 also requires significant enhancements in respect of the audit risk assessment process for accounting estimates.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as a result of the additional work above, and the impact of the Redmond Review, is still being fully assessed. We will communicate the fee with your Chief Finance Officer and subsequently with the Audit & Standards Advisory Committee when this fee has been assessed:

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Pension Fund Audit	£16,170	£25,000	£33,000
Total audit fees (excluding VAT)	£16,170	£25,000	£33,000

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees –detailed analysis

Scale fee published by PSAA

£16,170

Ongoing increases to scale fee first identified in 2019/20

Raising the bar/regulatory factors	£5,000
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Enhanced audit procedures for Valuation of Level 3 Investments	£3,830
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Audit fee 2019/20	£25,000
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New issues for 2020/21

Increased audit requirements of revised ISAs	£8,000
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Total audit fees (excluding VAT)	£33,000
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Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made inquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

No services provided by Grant Thornton were identified where an ethical threat may arise.

Pension Fund

Service	Fees £	Threats	Safeguards
Audit related			
None	-	-	-

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	✓
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	✓
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	✓
ISA (UK) 230 – Audit Documentation	January 2020	✓
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	✓
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	✓
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	✓
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	✓
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	✓
ISA (UK) 570 – Going Concern	September 2019	✓
ISA (UK) 580 – Written Representations	January 2020	✓
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	✓
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	✓
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	✓
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	✓
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	✓



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A&SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA

Topic / Date	11-May-21	26-Jul-21	22-Sep-21	07-Dec-21	31-Jan-22	15-Mar-22
Internal Audit & Investigations						
Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
Review Internal Audit Charter				X		
Internal Audit and Counter Fraud Progress Reports			X	X		
Draft Internal Audit and Investigations Annual Plan			X			X
External Audit						
External Audit progress report		X	X	X	X	X
External Audit plan	X					X
Statement of Accounts & External Auditor's Report			X			
Annual Auditor's Report				X		
Financial Reporting						
Treasury Management Mid-term Report				X		
Treasury Management Strategy					X	
Statement of Accounts		X	X*			
Treasury Management Outturn Report	X					
Governance						
To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd		X			X	
Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal				X*		
Review of the use of RIPA Powers	X					X
Receive and agree the Annual Governance Statement		X*				
Risk Management						
Strategic Risk Register Update		X			X	
Emergency Preparedness		X				
Audit Committee Effectiveness						
Review the Committee's Forward Plan	X	X	X	X	X	X
Review the performance of the Committee (self-assessment)						
Training Requirements for Audit Committee Members as required						
Standards Matters						
Standards Report (including gifts & hospitality)		X	X	X		X
Annual Standards Report	X					X
Complaints & Code of Conduct			X*			
Review of the Member Development Programme and Members' Expenses						X

* Requires approval by Audit & Standards Advisory Committee

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