



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE

Tuesday 5 February 2019 at 6.00 pm

PRESENT: Mr Ewart (Chair), Councillors Colwill, Donnelly-Jackson, Naheerathan, Nerva and Stephens, and Independent Members Margaret Bruce and Karen McArthur

Everyone introduced themselves as this was the first meeting attended by Councillor Stephens.

1. Apologies for absence and clarification of alternate members

The following apologies for absence were received:

- Councillor A Choudry (with Councillor Stephens present as a substitute)
- Councillor Kansagra (with Councillor Colwill present as a substitute)
- Robert Cawley (Independent Member)
- Sheila Darr (Independent Member)
- Nigel Shock (Independent Person)
- Keir Hopley (Independent Person)
- Althea Loderick (Strategic Director of Resources, Brent Council)
- Paul Dossett (Partner, Grant Thornton – External Audit) - Sophia Brown (Senior Manager) and Danielle Swain (Audit Executive) were present in his place.

2. Declarations of Interest

In relation to Agenda items 10 and 11, Peter Gadsdon declared that he was both a Director of i4B Holdings Ltd and First Wave Housing Ltd and the Council's Director of Performance, Policy and Partnerships.

3. Deputations (if any)

There were no deputations.

4. Minutes of the previous meeting

It was **RESOLVED** that the minutes of the previous meeting, held on 11 December 2018, be approved as an accurate record.

5. Matters arising (if any)

Report on i4B Holdings Ltd and First Wave Housing Ltd *(Item 5 of the minutes of the minutes of the previous meeting)*

It was noted that an update on the operation of the Council's wholly owned companies – i4B Holdings Ltd and First Wave Housing Ltd, would be provided at the present meeting.

Independent Advisor to the Committee

Please see Minute item 19.

Risk Management Framework Review

(Item 5 of the minutes of the minutes of the previous meeting)

It was noted that an update on the Risk Management Framework Review would be provided at the meeting of the Committee on 20 March 2019.

Lender Option Borrower Option Loans

Please see Minute item 19.

Councillor Naheerathan joined the meeting at 6:04 pm.

6. Emergency Preparedness Update

Carolyn Downs (the Council's Chief Executive) introduced the report which briefly outlined the progress made since the previous update to the Committee in July 2018. Ms Downs noted that the paper had been presented sooner than July 2019 in order to bring it in line with the London-wide assurance and challenge process that had been instigated. Brent had submitted a self-assessment (available at Appendix A (pages 17-23 of the Agenda pack)) which had been moderated at a sub-regional level. Members heard that common themes where improvement was desirable across all Local Authorities had been identified and a local action plan to address these would be created with relevant guidance and support from London Resilience. These included – humanitarian response; community engagement and management; media and communications management; and governance.

Ms Downs said that a specific area of work in the last couple of months had been Brexit and the prospect of leaving the European Union (EU) without a deal. Local Authorities across London had been in the process of developing a risk assessment for such a scenario. Some of the areas of greatest concern had been related to caring for vulnerable residents and waste management and disposal. It was noted that any additional risks associated with Brexit would be included in the Council's Risk Register.

The Committee welcomed the report and enquired about the amount of time and resources officers had spent working on Brexit-related issues; the possibility of reimbursing extra costs from Her Majesty's Government; local initiatives to ensure continuity of support for care and medical packages; and keeping Members informed about new developments. Ms Downs responded that the time spent on Brexit had not been excessive, e.g. the Council had been able to cope using its existing resources. Nevertheless, the Government had written to all Local Authorities to notify them of additional funding allocated to them and Brent's share was £210,000. The Ministry of Housing, Communities and Local Government had asked councils to provide advice to EU residents about the settlement scheme that had been established and Brent had already held a 'Time to Talk' event dedicated to Brexit. Peter Gadsdon (the Council's Director of Performance, Policy and Partnerships) said that another 'Time to Talk', focused on the consequences of the United Kingdom leaving the EU, had been planned to take place in early April 2019. It was noted that a dedicated seminar for Elected Members would be organised once more information about Brexit became available. As far as care and medical packages were concerned, Mr Gadsdon said that he would start convening weekly meetings with officers from the Children and Young People Department and the

Community and Wellbeing Department as well as external partners to discuss specific implications for the health and social care sector.

Daryl Jooste (the Council's Civil Contingencies Manager) acknowledged that community engagement and management had been identified as an area for improvement in the recent self-assessment undertaken by Brent Council. Ms Downs reminded members that during last year's cold weather emergency shelters had been operated at a community organisation and at a church in the Borough. As some of the lessons learned had identified issues related to staff safeguarding, it had been decided to commission additional beds with St. Mungo's on future occasions. Mr Jooste added that he had engaged two resident associations which had been offered a basic emergency preparedness training package. Once feedback had become available, the offer would be expanded by delivering awareness sessions in the community.

Mr Jooste informed the Committee that he had been drafting a Donations Management Protocol, which would prescribe how people could offer their skills, time and labour to support incident response, along financial aid being set out as a preferred method of donation as allowed greater flexibility.

Michael Bradley (the Council's Head of Audit and Investigations) pointed out that an audit on Emergency Planning had started and preliminary results would be available in the following couple of weeks.

RESOLVED that:

- (i) The contents of the Emergency Preparedness Update report, be noted;
- (ii) The Council's Risk Register be updated to include any Emergency Planning risks associated with Brexit;
- (iii) A dedicated seminar on Brexit for Elected Members be organised; and
- (iv) The Committee's appreciation for the work of officers be formally recorded;

7. External Audit Plan

Sophia Brown (Senior Manager, Grant Thornton - External Audit) introduced the paper which provided an overview of the planned scope and timing of the statutory audit of Brent Council for those charged with governance. She directed Members' attention to the key matters impacting Grant Thornton's audit approach of the Authority (page 29 of the Agenda pack), among which included the wider economy and political uncertainty; the adoption of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers); and the implications of Brexit. Ms Brown noted that Grant Thornton had identified significant risks related to the revenue cycle including fraudulent transactions (rebutted); management override of Authority controls; valuation of land and buildings; and valuation of the Pension Fund liability.

Danielle Swain (Audit Executive, Grant Thornton – External Audit) reported on the audit plan of the Pension Fund. She said that Brexit could have a significant impact on the funding and investment strategies of pension schemes, and defined benefit

schemes were likely to face a number of regulatory issues and uncertainties. Therefore, the Pension Fund would need to manage potential risks by developing contingencies for different outcomes. The significant risk identified for the Pension Fund was incorrect valuation of Level 3 investments. Ms Swain explained that Level 3 investments were difficult to value and the process involved a significant degree of estimation as no comparative investments existed.

Members heard that Grant Thornton had determined financial statement materiality to be based on 1.85% (previous year figure – 1.06%) of the Authority's gross expenditure of the group and the Authority for the financial year and had considered ownership structures, controls and business environment. Therefore, materiality at the audit planning stage had been set to £20 million (previous year's figure - £12 million) for the group and the Authority and £8 million (previous year's figure - £12 million) for the Pension Fund which equated to 1% of the previous' year net assets for the Pension Fund. The trivial levels¹ had been set to £1 million and £400,000 for the group and the Authority and the Pension Fund respectively and any discrepancies exceeding the trivial level would be reported to the Audit and Standards Advisory Committee.

The Committee questioned why materiality levels had been changed and Ms Brown responded that each audit firm used its own methodology to determine materiality. The current levels had been set up taking into consideration ownership structures, controls and the business environment, and reviewing the level of errors from the prior year audit of the financial statements. In response to a Member's question whether materiality could be set at 1%, Conrad Hall (the Council's Chief Finance Officer) emphasised that while it was in the Committee's power to request materiality to be at 1%, but this was likely to increase the audit fee (currently - £153,684; previous year's figure - £199,590) and, therefore, such a suggestion should be carefully considered prior to making a formal decision.

Members enquired how much of the information presented in the External Audit Plan had been specific to Brent. Ms Brown said that a significant proportion of the report mirrored reports presented to other local authorities audited by Grant Thornton. However, information related to value for money and materiality had been tailored to the profile of individual councils – for example, local authorities with low levels of reserves were likely to have lower materiality. This led to questions about the way the level of materiality at Brent compared to other local authorities and the impact of Brexit on other councils. Ms Brown said that Brent's materiality would not be similar to the ones of other local authorities as each council would have been impacted by different events in the previous year. It was pointed out that Brent had taken more actions, such as organising a 'Time to Talk' event and presenting a paper to Full Council, to prepare for Brexit in comparison to other councils.

RESOLVED that the contents of the External Audit Plan be noted.

8. **Accounting Policies**

Benjamin Ainsworth (Head of Finance, Brent Council) introduced the report and reminded Members that the Council was required to adopt accounting policies each year to set out how the Statement of Accounts would be produced. The Accounting

¹ The International Standard on Auditing (ISA) 260 defines as 'clearly trivial' matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Policies presented in Appendix A (page 47 of the Agenda pack) had been based on the previous year's ones with some minor changes to cover new accounting standards, clarify terminology and to align the policies with the latest version of the Code of Practice and underlying financial standards. Mr Ainsworth informed members that the accounting policies could be changed only in specific circumstances which had been outlined in paragraph 3.3 of the report (page 44 of the Agenda pack).

Members welcomed the report and enquired whether potential clawback of grants had been considered. Mr Ainsworth explained that a key element of Brent Council's approach to the Policies had been that the Council applied the Code of Practice issued by the Chartered Institute of Public Finance Accountants (CIPFA). He said that clawback of grants had been a very rare occasion. Conrad Hall (the Council's Chief Finance Officer) added that section 2.4 of the Statement of Accounting Policies (page 48 of the Agenda pack) set out the Council's approach to revenue grants and the Local Authority had reasonable assurance that it would comply with the conditions attached to grants so there would be any repayments.

RESOLVED that:

- (i) The contents of the Accounting Policies report, be noted; and
- (ii) The Accounting Policies set out in Appendix A be approved.

9. 2019/20 Treasury Management Strategy

Daniel Omisore (Head of Finance, Brent Council) introduced the report which set out the draft Treasury Management Strategy for 2019/20. He informed Members that the final version, incorporating the views of the Committee, would be included in the budget report presented at the Full Council meeting on 25 February 2019.

In relation to the external context, it was noted that the United Kingdom's (UK) progress negotiating its exit from the European Union (EU), together with its future trading arrangements, would continue to be a major influence on the Council's Treasury Management Strategy for 2019/20. In addition, the big four UK banking groups had divided their retail and investment banking divisions into separate legal entities under ring-fencing legislation and European banks had been considering their approach to Brexit (for details please see paragraphs 9 and 11 of the report respectively (page 64 of the Agenda pack)).

As at 31 December 2018, the Council had held £397 million of borrowing and £114 million of investments, with future estimated borrowing requirements set out in Table 1. Mr Omisore noted that there had not been any breaches of the Treasury Management Strategy or Prudential Indicators since it had been agreed by Council last year. In the past 12 months, the Local Authority's investment balance had ranged between £190 and £89 million. However, it was forecast to decline as the Councils began the implementation of its updated capital programme.

Members enquired about the repayment of one of the Council's Lender Option Borrower Option loans (LOBOs), the impact of a potential collapse of property prices on the Council's stock and the impact of Brexit on the cost of borrowing. Mr Omisore said that the Council had managed to secure a favourable deal with a lender which had saved the Local Authority money and had contributed to lowering its debt position.

Although the existing Investment Strategy had provisions for purchasing shares in companies that invested mainly in real estate, this option had not yet been taken up. However, this is constantly monitored and should circumstances change, officers would consider this, depending on a number of factors and after undertaking appropriate due diligence prior to making a decision. This also applied to any investments with Registered Providers which would be individually assessed and discussed with Arlingclose, the Council's advisors, prior to investing. A significant proportion of the Council's investments constituted short-term lending to local authorities which was in line with the Council's 2018/19 Investment Strategy. This had been seen as a secure form of investment which provided benefits for both sides. Moreover, Arlingclose provided real time updates and ratings on all categories of investments which were constantly monitored and reviewed. As far as the implications of Brexit on the cost of borrowing were considered, Conrad Hall (the Council's Chief Finance Officer) said that the Local Authority was taking advice from Arlingclose, as of course it was not possible to predict with certainty future changes to interest rates. In his view, given the likely short-term macro-economic impact of a "no deal" Brexit, the most probable fiscal response from central banks and government would be to reduce interest rates in order to stimulate investment.

In response to a question about drawing down on surplus funds, Mr Omisore explained that officers routinely modelled the Council's balance sheet to predict the levels and likely usage of reserves. It was noted that such an exercise had been presented alongside the Borrowing Strategy Report to Cabinet in September 2018. Mr Omisore emphasised that if the Capital Programme was to be delivered as planned, the Council could have a borrowing requirement within the next 12-24 months.

The Chair summarised the contents of the discussion, highlighting the Committee's concerns in relation to changes in the property market and the impact of Brexit on interest rates

RESOLVED that:

- (i) The contents of the 2019/20 Treasury Management Strategy report, be noted;
- (ii) An update on treasury management activity be presented to the Committee in six months' time;

10. **Report on i4B Holdings Ltd**

Peter Gadsdon (Director, i4B Holdings Ltd) introduced the report which provided an update on i4B Holdings Ltd (i4B) recent performance, proposed 2019/20 Business Plan, audit arrangements and risk register. He highlighted that the same Directors sat on the Board of the Council's other wholly owned company – First Wave Housing Ltd (FWH). Two of them were Council Officers (Gail Tolley, Strategic Director of Children and Young People and Peter Gadsdon, Director of Performance, Policy and Partnerships), one was a backbench Elected Member (Councillor George Crane) and two were independent. The main purpose of the Company had been to assist the Council reduce homelessness by providing affordable, good quality homes, while delivering regeneration and financial benefits to the Council.

Business Plan

The Committee heard that the version of the 2019/20 i4B Business Plan that had been included in Appendix 1 to the report (page 89 of the Agenda pack) was identical to the one that would be presented to Cabinet for approval on 11 February 2019. It contained a five-year forecast for the operation of the Company, including a risk analysis and a financial analysis in the context of changing market conditions and Brexit. Mr Gadsdon reported that the acquisition of properties had not been at the pace originally envisaged and the main reason for this was related to the changing market conditions. Nevertheless, the Company had been able to purchase a greater share of in-Borough properties at lower prices than predicted, but the property supply was decreasing. The majority of units were flats and a large proportion of properties were leasehold which meant that additional costs, such as ground rent and service charges, had been added to the Business Plan.²

The Board had held discussions with the shareholder about potential ways in which the Company could contribute to meeting housing targets in the Borough. It had been proposed to divert a proportion of the money to buy new build homes on Council ground. Conrad Hall (the Council's Chief Finance Officer) said that building Council housing had become more feasible after the Housing Revenue Account cap had been removed and changes in the Right to Buy legislation had been made. Furthermore, increasing the share of properties in Brent and the surrounding areas had been considered as it had been difficult to place residents outside of the Borough. It had been envisaged that the current demand for out-of-Borough accommodation could be met by acquiring 10 properties in addition to the 70 that had already been purchased. The total number of units to be acquired would not be changed and that it would not be necessary to amend the financial requirements of the programme over the 30-year period.

As the Business Plan proposed using a portion of agreed funding for intermediate rented accommodation to support the purchase of one block of 153 units for the provision of key worker accommodation at 60%-80% market rent, i4B would work with the Council's housing supply and partnerships team to develop this opportunity.

Members asked questions about the share of mobility-friendly homes in i4B's portfolio and about the way the Company worked with the Council's housing and social care services. Mr Gadsdon said approximately 10% of i4B properties would have level access and walk-in showers – they would meet the standard that had been agreed with the Council and adaptations would be agreed with the Housing Needs Service to ensure that they matched the specific needs of customers. This was part of the Company's wider engagement with housing and social care services aimed at identifying suitable residents for the types of property acquired by i4B. Mr Gadsdon reminded the Committee that the Company had a net yield target of 1.1% which had to be achieved across the portfolio so investments in adapting units put pressure on the Business Plan.

Operation

Mr Gadsdon pointed out that, as of January 2019, 168 families, including 411 children, had been directed to i4B. Responding to a Member's comment that the number of families re-housed from Women's Refuge had been low (2), he said that there could be other pathways to allocate residents in i4B properties – for example, sometimes vulnerable women might need to be placed in other boroughs so Brent could have arrangements with other local authorities in relation to this matter.

² It was noted that the conveyancing of leasehold properties was likely to be more complex.

As far as actions taken to promote properties in the Home Counties were concerned, Mr Gadson said that a campaign, aimed at homeless families who had been on the housing register prior to 2012, had been run, but take up had been low. The Board recognised the risk that families who had been added to the register after 2012 could make themselves intentionally homeless should they decide not to accept an offer for accommodation. In fact, there had been 35 cases of discharge of duty based on refused offers. In response to various questions about allocations, Mr Gadson stressed that the Company managed properties and did not place people in accommodation directly. However, he advised Members that he would pass their enquiries to the Housing Options Team.

It was noted that there were approximately 2,400 families living in temporary accommodation and i4B was only one of the means available to the Council to relieve homelessness. Conrad Hall (the Council's Chief Finance Officer) commented that if no new families were added to the housing register, by the time the project was completed, i4B would have housed ¼ of the current waiting list.

Performance

Delivery on the Key Performance Indicators (KPIs) related to conveyancing and refurbishment had improved significantly over the last year, with the last 50 properties acquired hitting both targets. Refurbishment turnaround time had been satisfactory, there were no delays in letting units in Brent, the issues with the four-bedroom properties located in the Home Counties had been solved and 100% of properties have valid gas safety certificates. The overall number of voids since the Company had begun operating was six, all of them located outside the Borough. The Board was confident that all three housing management providers (Brent Housing Management, Pinnacle Group Housing and Mears Group) were performing well and re-tendering of the contract for services in the Home Counties with the aim to improve performance had been considered at the last Board Meeting on 24 January 2019.

Members asked why management and maintenance fees had been predicted to increase sharply to £2.1 million in 2023/24 and Mr Hall advised the Committee that this question would be forwarded and a response provided by the next meeting.

Rent collection rates had been increasing on a monthly basis in the last year and the Board expected the target of 98.5% to be achieved in the next six months. However, there had been issues with tenants who received Housing Benefit (HB) as there was a gap between them being allocated the property and starting to receive HB. In addition, there were cases in which families had been entitled to less than they had expected which could lead to rent arrears.

Referring to lessons learned, Mr Gadson said that operating the Company had been more challenging than expected, especially in relation to the level of detail entailed in developing policies. Mr Hall added that the findings of the internal audit on Private Rented Sector Model Review had been reassuring, especially when the complexity of the arrangements for the Company was taken into account (for details, please see Appendix 3 (page 139 of the Agenda pack). Most of the findings had been around technical points of design and best practice, and also general understanding of areas of methodology. There had been two high level findings related to methodology (the way in which experience analysis was used to calculate average property prices and rental values and the use of house price inflation (HPI) as well as the assumptions used for both HPI and rental growth) and officers would

be working to implement recommendations at the start of the 2019/20 financial year.

RESOLVED that:

- (i) The contents of the Report on i4B Holdings Ltd, be noted;
- (ii) The plans set out in the Company's draft 2019/20 Business Plan be noted;
- (iii) The summary of the financial and non-financial benefits of i4B's operations; be noted;
- (iv) The update to the i4B risk register be noted; and
- (v) The update on recent i4B audits, and progress towards implementing previous audit recommendations be noted.

11. Report on First Wave Housing Limited

Peter Gadsdon (Director, First Wave Housing Ltd) introduced the report which provided an update on First Wave Housing Ltd (FWH) recent performance, proposed 2019/20 Business Plan, audit arrangements and risk register. He pointed out that the Company had been more mature than the Council's other wholly owned venture – i4B Holdings Ltd (i4B) and provided a background to its operation. Members heard that FWH owned 329 residential properties and two commercial premises (for more details on the rent levels and the products offered by the Company, please see Table 1 on page 187 of the Agenda pack). In terms of types of units, approximately 1/3 of FWH portfolio consisted of Brent-owned blocks (Right to Buy bought back-s); 1/3 were other leasehold properties and 1/3 were had been situated in two large blocks in South Kilburn that had been acquired as new builds.

Mr Gadsdon said that a major concern for the Board had been the condition of the stock which had deteriorated due to the lack of investment in the last 10 years. Therefore, a substantial amount of refurbishment work would have to be carried out in order to bring it to the required standards. There were an average of six repairs per property in the last 18 months which was considered high for the industry, while customer satisfaction had been as low as 51%. Nevertheless, the Company was in a strong financial position as rent collection had been good and the value of the properties it owned had increase since they had been purchased.

The Committee welcomed the report and enquired whether there were any differences between i4B and FWH in relation to occupancy and voids. Mr Gadsdon responded that rent collection rates for FWH were monitored on a monthly basis at Board Meetings and had remained consistent at around 100%. Turnover was very low and there were no void properties. Therefore, the Board drew confidence from FWH that i4B would perform well once the programme had been fully developed.

Members referred to the fact that the report commented that the shareholder was undertaking an analysis of the benefits of aligning the two companies. Conrad Hall (the Council's Chief Finance Officer) explained that under the present arrangements FWH was a registered provider which meant that it could bid for grants from the government to build properties. He highlighted that while it was important to retain the registered provider status, it had to be taken into account

that having different types of companies performing various functions could make governance arrangements complicated.

RESOLVED that:

- (i) The contents of the Report on First Wave Housing Ltd, be noted;
- (ii) The plans set out in the Company's draft 2019/20 Business Plan be noted;
- (iii) The update on recent FWH audit activity, and progress towards implementing previous audit recommendations be noted; and
- (iv) The update to the FWH risk register be noted.

12. **Annual Review of the Internal Audit Charter**

Michael Bradley (the Council's Head of Internal Audit and Investigations) introduced the report and said that a new Internal Audit Charter (Appendix 1 on page 225 of the Agenda pack) had been produced in accordance with the Public Sector Internal Audit Standards. It provided a detailed outline of the role of Internal Audit and how the Strategy and Plan would be delivered whilst ensuring compliance with the standards.

It was noted that reviewing the Charter by the Audit and Standards Advisory Committee on an annual basis was considered good practice. The Chair added that there were regular meetings between himself, the Vice-Chair and Mr Bradley, while members of the Internal Audit Team had direct access to the Chief Finance Officer.

RESOLVED that:

- (i) The contents of the Annual Review of the Internal Audit Charter report, be noted; and
- (ii) The Internal Audit Charter be approved in accordance with the requirements of the Public Sector Internal Audit Standards.

13. **Internal Audit Progress Report for the period September 2018 to January 2019**

Michael Bradley (the Council's Head of Internal Audit and Investigations) introduced the report which provided an update against the Annual Audit Plan for the period 1 September 2018 to 31 January 2019. He highlighted that a further seven schools³ had been engaged and the proportion of recommendations that had been implemented was high. However, there was a low return rate of questionnaires issued at the end of each audit asking auditees to provide feedback on a number of areas including usefulness of the audit, quality of the report and usefulness of any recommendations made. Nevertheless, the Internal Audit Team would continue to encourage clients to provide feedback on the service.

Mr Bradley referred to Appendix B (page 274 of the Agenda pack) which contained information about follow up reviews of Audits that had been completed. He emphasised that although the assurance rating of the Payroll audit remained 'Limited' significant progress had been made towards resolving the issues that had

³ It was noted that the Internal Audit Team did not audit academies which had separate audit arrangements.

been identified. Furthermore, the number of not implemented management actions in relation to the Direct Payments audit was zero and not seven. In response to a Member's question about the South Kilburn Regeneration audit, Mr Bradley said that it had been focused on project assurance and its rating had initially been 'Limited' as there were issues with some of the components of effective project management.

Members directed their attention to the Internal Audit Planning process for the next financial year (paragraphs 3.17-3.26 on pages 240-242 of the Agenda pack) and Mr Bradley pointed out that resources had been concentrated on areas of high risk. Conrad Hall (the Council's Chief Finance Officer) said that a draft Internal Audit Plan would be presented at the meeting in March 2019 to allow the Committee to comment on it. He encouraged Members to raise any specific concerns with himself, Mr Bradley or Colin Garland (the Council's Audit Manager) so these could be reflected in the Plan.

The Committee welcomed the report and supported the proposed allocation of resources. The Chair commented that 'Limited' assurance audits showed that the right areas of the Council had been targeted and the work of the Internal Audit Team was adding value to the organisation.

RESOLVED that:

- (i) The contents of the Internal Audit Progress Report for the period September 2018 to January 2019, be noted;
- (ii) The proposed allocation of resources in the Internal Audit Plan 2019/20 be approved;
- (iii) Members raised any specific concerns with Mr Hall, Mr Bradley or Mr Garland (the Council's Audit Manager) so these could be reflected in the Plan.

14. Counter Fraud Quarterly Progress Report 2018-19

Michael Bradley (the Council's Head of Audit and Investigations) introduced the paper which provided an update on the counter fraud work undertaken for the period 1 April to 31 December 2018. He pointed out that 15 properties, with a notional value of £1,395,000, had been recovered in the year to date as a result of fraud or irregularity.

The Counter Fraud Team had led on an organised Freedom Pass fraud investigation involving several Councils in London. 17 fraudulent Brent applications had been uncovered and the main subject of the investigation had in court on 26 June 2018 relating to 21 counts of fraud, counterfeiting and forgery. However, the defendant had pleaded not guilty and the trial was scheduled for March 2019. Moreover, the Team had worked on a notable Blue Badge fraud case which had appeared in national news. The defendant had pleaded guilty and had been fined £660, had to pay costs of £572 and a Victim Surcharge of £66. In response to a question whether the Blue Badge cases that had been investigated had involved third parties using fraudulent Blue Badges in Brent, Mr Bradley said that he would seek additional information from the Team and would share it with Members at the next meeting. He commented that the amount of money defendants had been sentenced to pay had been low in comparison to the cost of prosecuting cases. A Member of the Committee suggested that the matter could be referred to the

attention of the Local Government Association (LGA) via the Lead Member for Regeneration, Highways and Planning.

Conrad Hall (the Council's Chief Finance Officer) supported such an approach as he considered it to be an effective way of addressing the issue as prosecuting Blue Badge fraudsters often cost the Local Authority more than it could be recovered, especially when the social cost of the fraud and the loss of revenue from parking were taken into account.

RESOLVED that:

- (i) The contents of the Counter Fraud Quarterly Progress Report 2018-19, be noted;
- (ii) The issue that the amount of money defendants had been sentenced to pay had been low in comparison to the cost of prosecuting cases of Blue Badge fraud be brought to the attention of the LGA via the Lead Member for Regeneration, Highways and Planning; and
- (iii) The Committee's appreciation for the work of the Counter Fraud Team be placed on record.

15. **Audit and Standards Advisory Committee - Self Assessment options**

Michael Bradley (the Council's Head of Audit and Investigations) introduced the report which outlined potential options for the conduct of an assessment of the performance of the Audit and Standards Advisory Committee. He pointed out that three main approaches had been considered – completing a questionnaire; organising a workshop; and conducting a peer review.

Members welcomed the update and the Chair commented that he would prefer the option that included conducting a peer review, however, he acknowledged that it could be challenging to organise one having in mind the difficulties encountered when Members and officers had expressed interest the Council's internal audit function to be reviewed externally. Members felt that completing a questionnaire might be the most suitable way to conduct the self-assessment as long as senior Council officers, Committee Members, external auditors and key stakeholders had been included in the scope.

In response to potential actions that would be taken to address weaknesses that could be identified as a result of the process, Conrad Hall (the Council's Chief Finance Officer) explained that should the self-assessment highlight specific shortages, training and coaching would be considered. If this approach did not deliver the expected results, conversations with the respective political group leaders would be held to agree a way forward.

Mr Hall informed Members that he would liaise with Mr Bradley to design the questionnaire and would report back to the Committee. The Chair requested results to be treated anonymously so respondents could provide honest feedback about areas that worked well and aspects which required improvement

RESOLVED that:

- (i) The contents of the Audit and Standards Advisory Committee – Self-Assessment options report, be noted;

- (ii) Mr Hall would liaise with Mr Bradley to design the questionnaire in a way that treated results anonymously;
- (iii) The Council's external auditors and Members of the Council Management Team be encouraged to participate in the self-assessment questionnaire;
- (iv) An update on the self-assessment questionnaire be provided at a future meeting of the Committee.

16. Forward Plan and Agenda for the Next Meeting

It was noted that officers would try to distribute the workload of the Committee evenly throughout the 2019/20 Municipal Year.

RESOLVED that the contents of the Audit Advisory Committee Forward Plan, be noted.

17. To agree a date to hold a meeting between the Chair, the Vice-Chair and the Independent Members of the Committee

This item was deferred to the meeting on 20 March 2019.

18. Exclusion of Press and Public

RESOLVED that press and public be excluded from the remaining part of the meeting.

19. Matters Arising (continued)

Independent Advisor to the Committee

Conrad Hall (the Council's Chief Finance Officer) informed Members that the recruitment of an Independent Advisor to the Committee was in progress and a panel would be convened to interview the shortlisted candidates. It was noted that there was a possibility that a recommendation for appointment would be made prior to the Committee meeting on 20 March 2019.

Lender Option Borrower Option Loans

Mr Hall explained the nature of Lender Option Borrower Option Loans (LOBOs) and said Brent had taken out its last LOBO more than 10 years ago. He referred to the objections to the Council's accounts that had been received in relation to LOBOs and said that KPMG (the Council's former external auditor) had issued their provisional view and the objector and the Council had been given the opportunity to present further evidence within 20 working days. KPMG would then take into account whether the points that had been raised were substantive and would issue their final view. Once this had happened, the objector could not raise any further points of legality unless they took their objection via appeal to the court system at their expense within 21 days.

An update on this matter would be provided to the Committee once it became available.

20. **Any other urgent business**

None.

The meeting closed at 8.33 pm

DAVID EWART
Chair