

	<p style="text-align: center;">Full Council 18 September 2017</p> <p style="text-align: center;">Report from the Vice-Chair of the Audit Advisory Committee</p>
For Information	Wards Affected: All
<p>Report from the Vice-Chair of the Audit Advisory Committee</p>	

1.0 Purpose of the Report

- 1.1 This report provides a summary of the activities carried out by the Council's Audit and Audit Advisory Committees since the meeting of Full Council on 10 July 2017.

2.0 Recommendations

- 2.1 Full Council is asked to note the content of the report.

3.0 Detail

- 3.1 The committee has not been scheduled to meet since the last update was provided to Council. However, given the importance of future work it is nonetheless appropriate that this brief update is brought to Council.
- 3.2 Brent remains committed to open and transparent governance, and welcomes external scrutiny, which is why it has ensured that the committee continues to have two independent members and that their role is enhanced. As previously noted, under s102(1) of the Local Government Act 1972, the independent members were formerly unable to vote. By reconstituting however, almost all the business under the Audit Advisory Committee, which operates under different legislation, can be voted upon by the independent members. They thus continue to have an equal voting status to elected councillors.
- 3.3 Going forward, the Committee will continue in its key role of reviewing standards of control, the management of risks and scrutinising key financial information such as the accounts and lending and borrowing. The key items that the committee will consider at its next meeting are set out in the paragraphs below.

- 3.4 The committee is scheduled to discuss the quarterly Internal Audit and Investigations Progress Report. This provides an update on the progress against the internal audit plan for the period 1 April 2017 to 31 August 2017. It is important for the Audit Advisory committee to note this progress and track its deliverability, comparing statistics and resolutions. The committee will also have to consider preparation for the Peer Review of the internal audit function. This is in accordance with the Public Sector Internal Audit Standards (PSIS). An initial assessment will be carried out internally, followed by an external review in the spring of next year.
- 3.5 The committee will also discuss the Statement of Accounts along with the Auditor's report. It is the responsibility of the Audit Committee to consider any issues raised by the external auditors as part of the process of approving the annual statement of accounts. Referred to as the ISA260 report, the basis for this consideration is the "report to those charged with governance". The report is produced by the Council's external auditors, KPMG, following completion of the audit of accounts. The intention of the report is to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. It also provides the findings from the value for money conclusion for the year.

The committee will therefore be asked to review the report to those charged with Governance from KPMG and:

- consider the key issues and recommendations;
- consider the corrected audit differences;
- approve the statement of accounts; and
- approve the letter of representation to KPMG.

As the Statement of Accounts sets out how the Council accounted for over £1bn of public money and shows the financial performance of the Council for the year 2016/17, it is essential that proper consideration is given to the auditor's report on them.

- 3.6 Council will recall from previous reports that the Local Audit and Accountability Act 2014 (the Act) brought to a close the Audit Commission. The Act established transitional arrangements for the management and supervision of existing contracts for external audit (eventually extended to 2017/18), and detailed future arrangements (for 2018/19 onwards) for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. These arrangements were outlined in a report to Audit Committee in March 2016, and allow the Council to procure and appoint auditors through either:
- setting up its own independent auditor panel,
 - with other authorities (or authority) to set up a joint independent auditor panel, or to

- opt into a sector-led arrangement, (Public Sector Audit Appointments or PSAA) which would allow a body, designated 'appointing person' to complete the process for a large number of authorities.

Council has approved the third option and have subsequently been advised by PSAA that the proposed auditor for 2018/19 onwards would be Grant Thornton. This is subject to an ongoing consultation, and the committee will formally review the proposal at its next meeting.

- 3.7 In the area of Governance, the committee will review the performance and management of I4B Holdings Ltd. I4B Holdings Limited is the Council's wholly-owned company aiming to provide 300 units of private rented sector accommodation at affordable rates.

The company was established in December 2016 and since then, governance, legal, administrative and financial controls have been put in place to facilitate delivery of the intended outcomes.

The strength and sufficiency of the controls put in place to ensure that the company is operating effectively and delivering the council's planned outcomes at reasonable cost will be scrutinised in detail to provide independent assurance.

- 3.8 At the September meeting the committee will also scrutinise the council's borrowing and treasury investments to ensure that they are in accordance with agreed policy, in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011 and that the Council is not being exposed to unreasonable risks.

- 3.9 The committee will also be reviewing progress on delivering the capital programme.

4.0 Financial Implications

- 4.1 There are no financial implications arising from this report.

5.0 Legal Implications

- 5.1 There are no legal implications arising from this report.

6.0 Equality Implications

- 6.1 There are no diversity implications arising from this report.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable

8.0 Staffing/Accommodation Implications (if appropriate)

8.1 There are no staffing and accommodation implications arising from this report.

Background Papers

None

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