



Brent

MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Tuesday 8 December 2020 at 6.00 pm

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

Independent Advisor: Vineeta Manchanda

Independent Member: Margaret Bruce

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

1. Apologies for absence and clarification of alternate members

Apologies were received from Councillor Donnelly-Jackson, Michael Bradley, Head of Audit and Investigations and Nigel Shock, Independent Person.

2. Declarations of Interest

None.

3. Deputations (if any)

None.

4. Minutes of the previous meeting

Resolved

To approve the minutes of the last meeting of the Committee held on 08 September 2020.

5. Matters arising (if any)

None.

6. Standards Report (including gifts & hospitality)

Biancia Robinson, Senior Constitutional & Governance Lawyer, introduced a report on gifts and hospitality registered by members, and the attendance record for members in relation to mandatory training sessions. 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 completion of mandatory training, it was noted that once a member had completed a member session they were

required to tell the Lead Officer and Member Development Officer, at which point their attendance would be logged.

- The Committee raised a query regarding the Council's response to the Committee on Standards in Public Life's Standards Matter 2 review. It was suggested that a formal response be produced in consultation with the Chair, Vice-Chair and Independent Member.
- The Committee asked why some members were exempt from particular mandatory member sessions. It was noted that there could be a variety of reasons for this, for example personal circumstances or having recently completed similar training sessions.
- In response to a question regarding notification of complaints received by the Council, it was noted that a member would only be notified of a complaint if they had been in breach of the Members' Code of Conduct and an initial assessment was therefore undertaken.

The Chair then thanked the Senior Constitutional & Governance Lawyer, as well as the wider team of officers, for the report and clarifications provided.

Resolved

To note the Standards report (including gifts & hospitality).

7. Review of the performance & management of i4B Holdings Ltd and First Wave Housing Ltd

The Committee agreed that this item would be taken before item 7 on the agenda.

Martin Smith, Chair of the i4B Holdings Ltd (i4B) and First Wave Housing Ltd (FWH) Boards introduced a report on the recent performance, business plan, risk register and audit arrangements of i4B and FWH. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- The Committee raised a query regarding the auditing of the premises owned by i4B and FWH. It was noted that as the properties owned by i4B had only been purchased over the past three years therefore they did not require further auditing for at least two years. A stock survey had been undertaken in 2019 for FWH with various works having been undertaken in response. The Committee was assured that a key priority for 2021/22 was to develop an Asset Management Strategy for both i4B and FWH to ensure stock was in good condition. It was confirmed that both would comply with the requirements of the Council's Climate Strategy.
- In response to a question regarding void times and void and repair costs, it was noted that the pandemic had had a significant effect on void performance. For FWH, void performance was more variable and there were a number of actions being taken to reduce void times and review void and repair costs. It was also noted that i4B properties outside of the borough had proved more difficult to let and the future of these properties would soon be reviewed.
- The Committee asked whether tenants who were moved into properties outside of the borough would still receive support from the Council's services

or if they would be passed on to the local authority within which they reside. It was confirmed that while tenants would deal with either i4B or FWH for tenancy related issues, they would deal with the local authority within which they reside for all other services.

- In response to a question regarding the financial benefits the Council received from i4B, it was noted that it had received a PRS phase one loan arrangement fee of £872k and non-utilisation charge of £330k and a PRS loan arrangement fee of £884k and non-utilisation charge of £408k. This was because all funding used by i4B to purchase its stock was funded by the Council and it was required by state-aid law to lend to i4B on commercial terms.
- The Committee asked a question regarding the profile of properties purchased by i4B. It was noted that i4B sought to acquire the best quality properties in view of local housing needs whilst ensuring affordability and it reviewed its approach to the property market every four or five months. Local housing allowance (LHA) rates also dictated the profile of properties that i4B could purchase, with more expensive properties being purchased in those areas with a higher LHA rate.
- The Committee raised a query regarding i4B financial modelling in relation to rent levels reflecting LHA rates. It was noted that modelling takes into account both current rent levels and assumptions about future rent levels based on current property assessments.
- In response to a question regarding fire safety, it was noted that the Council had been carrying out an assessment of all properties that may require work following the amendments made to building regulations following the Grenfell tower fire. The review identified concerns in eight of FWH's properties regarding external fabric combustibility issues and FWH was carrying out investigative works to understand what remediation works were needed. It was also noted that, following an arranged visit with the London Fire Brigade (LFB), an enforcement notice had been issued to FWH to remediate the fireproofing in the means of escape areas.

The Chair then thanked the Chair of the i4B and FWH Boards, as well as the wider team of officers, for the report and clarifications provided.

Resolved

To note;

- i. The current performance of i4B and FWH.**
- ii. The update to the i4B and FWH risk register.**
- iii. The update on recent i4B and FWH audits, and progress towards implementing previous audit recommendations.**
- iv. The impact of COVID-19 on i4B and FWH's operations and business objectives.**

8. Treasury Management Mid-term Report

Amanda Healy, Senior Finance Analyst introduced a report on treasury activities for the first half of the financial year 2020-21. The Chair then advised that all treasury management related questions would be taken during the next agenda item.

Resolved

To note the Treasury Management Mid-term report.

9. Treasury Management Strategy

Amanda Healy, Senior Finance Analyst, introduced a report on the draft Treasury Management Strategy (TMS) for 2021-22. 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 from the Chair regarding the recent reduction of borrowing rates from the Public Works Loan Board (PWLB) by 1%, it was noted that PWLB borrowing already formed part of the strategy and therefore significant amendments to the strategy would not be needed.
- The Committee raised a query regarding the Council's very low risk profile in comparison to other local authorities. It was explained that the Council was of a very low risk profile because at the start of the pandemic it had temporarily deposited its cash in the Debt Management Account Deposit Facility (DMADF) for which there was little risk and low returns. More recently, it had shifted to money market funds which explained any increase in risk, though these were still considered very low risk. Because the Council's cash flow forecast was expected to remain low for the period 2021-22, it needed to ensure liquidity and so money market funds had been deemed most appropriate.
- In response to a question regarding fossil fuel divestment and the climate emergency, it was noted that the Council's current portfolio did not have any specific investments in fossil fuel companies as market funds only invested in cash and cash equivalent instruments. The strategy would be updated to include environmental, social and governance (ESG) considerations when undertaking treasury investments.
- The Committee asked a question regarding the use S106 and Community Infrastructure Levy (CIL) funding and internal borrowing. It was explained that these funds were allocated to specific projects and would be made available to the project when needed. Interest was accrued on these balances for the time that they were held. Internal borrowing involved using the Council's reserves to finance expenditure rather than borrowing externally which helped it ensure a low interest-borrowing rate and make savings on revenue costs.
- The Committee asked a question on whether a target risk and return level would be included in the strategy. It was noted that there needed to be flexibility within the strategy to ensure the Council had access to the best available rates and was not restricted by changes to government policy. It was expected that investment returns would remain at similar level and credit risk was stipulated within the Council's prudential risk indicators.

The Chair then thanked the Senior Finance Analyst, as well as the wider team of officers, for the report and clarifications provided.

Resolved

To note the draft Treasury Management Strategy.

10. Audit Findings Report 2019/20 Action Plan Recommendations - Management Response

Daniel Omisore, Deputy Director of Finance, introduced a report on the management response to the 2019/20 internal audit findings report. 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 purchase order accruals, it was noted that officers were reviewing how the procure to pay process was being used, and working to strengthen the process to review accruals from the previous year to reduce the risk of invalid accruals being brought forward.
- The Committee raised a query concerning unallocated income. It was noted that unallocated income was usually related to income received from residents which had not been referenced in the correct way. Officers had been working on a programme of changes to ensure that unidentified income received was traced to its source to ensure the income is valid and correctly classified.
- In response to a question from the Chair regarding Oracle security and access controls, it was noted that in a few cases where it was necessary to tolerate less controls such as generic built in passwords, the Head of ICT & Applications accepted the associated risk and considered it to be low.

The Chair then thanked the Deputy Director of Finance, as well as the wider team of officers, for the report and clarifications provided.

Resolved

To note the progress made to date in response to the issues identified in the 2019/20 audit findings report.

11. Internal Audit Quarterly Report

Colin Garland, Audit Manager introduced a report on progress against the Internal Audit Plan for the period 01 May to 31 October 2020. 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 from the Chair regarding the platform review, it was noted that the follow up review of the high risk issues identified would be undertaken early next year.
- The Committee raised a query concerning contractor performance and it was noted that an audit had recently been initiated on contract management across the Council, the results of which would be shared with the Committee at a later meeting.

The Chair then thanked the Audit Manager, as well as the wider team of officers, for the report and clarifications provided.

Resolved

To note the Internal Audit Quarterly report.

12. Counter Fraud Quarterly Report

Michael Cassel, Counter Fraud Manager introduced a report on the counter fraud activity for 2020/21 up to Q2, and the impact of COVID-19 arrangements on the service. 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 from the Committee regarding the annual increase in external fraud levels, it was explained that much of the increase was due to the work the Council had undertaken to raise awareness of fraud and the ways in which it can be reported. It was noted that reported fraud did not necessarily equate to confirmed incidences of fraud and that the Council still received a number of reports of housing benefit fraud which was now dealt with by the Department of Work and Pensions (DWP).
- The Committee raised a query regarding the reduction in cases of housing fraud. It was noted that there were a number of reasons for this such as the suspension of court proceedings due to the pandemic and a reduction in the amount of referrals from officers. It was explained that officers had been working to address this and help improve the quality and quantity of referrals.
- The Committee raised a question regarding the long-standing insurance claim for a personal injury where the Council had admitted liability highlighted in the report. It was explained that liability for the incident itself had been accepted at an early stage but other aspects of the claim, such as the loss of earnings, were proved to be fraudulent.
- In response to a question from the Committee regarding plans to install new ID scanners at the Civic Centre, it was noted that this had been postponed due to the pandemic and would be rearranged as soon as it was safe to do so. The Committee was assured that no extra costs would be incurred due to this delay.

Resolved

To note the Counter Fraud Quarterly report.

13. Corporate Risk Register Update

Colin Garland, Audit Manager introduced a report on the Council's Risk Management position and the updated Corporate Risk Register. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- The Committee raised a query regarding departmental risk register governance arrangements and suggested that these be reported to a later meeting of the Committee.

- In response to a question from the Chair regarding cyber security, it was noted that the risk of cyber attacks had been added to the risk register. The ultimate responsibility for this risk lied with the Lead Member for Resources and the Strategic Director of Customer Services and Digital.

Resolved

To note the Corporate Risk Register.

14. External Audit Annual Letter

Sophia Brown, Senior Audit Manager at Grant Thornton introduced a report on the key findings arising from the work carried out at the Council and its subsidiaries for the year ended 31 March 2020. 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 from the Committee regarding the continuity of pension fund staff, it was noted if there were to be significant changes to pension fund's staffing structure the external auditors would examine its risk and make recommendations to the Council.
- The Committee sought assurances over the Council's housing companies in light of the financial situation at Croydon Council and its housing company Brick by Brick. It was noted that there were a range of measures at Croydon Council that were designed to ease their financial concerns but there was a lack of governance arrangements in place to ensure these measures were effective. The Committee was assured that the external auditors did not see i4B and FWH to be in a similar situation to Brick by Brick and were confident that both companies had the governance arrangements in place to ensure they succeed.

The Chair then thanked Grant Thornton, as well as the council officers, for their work on the report and for clarifications provided.

Resolved

To note the External Audit Annual Letter.

15. External Audit Progress Report and Sector Update

Sophia Brown, Senior Audit Manager at Grant Thornton gave a verbal update 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 from the Chair regarding auditors' work on Value for Money (VFM) arrangements, it was noted that the new Code of Audit Practice required from auditors a new set of key criteria covering governance, financial sustainability and improvements in economy, efficiency and effectiveness. More extensive reporting with a requirement to produce a

commentary on arrangements across all of the key criteria would also be undertaken.

The Chair then thanked Grant Thornton for the report and for clarifications provided.

Resolved

To note the external audit progress report and sector update.

16. **Forward Plan**

The Chair drew the Committee's attention to its latest Forward Plan.

Resolved

To note the Committee's latest Forward Plan.

17. **Any other urgent business**

None.

The meeting closed at 8.05 pm

David Ewart
Chair