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Audit and Standards Advisory Committee

Wednesday 31 March 2021 at 4.00 pm

This will be undertaken as an online virtual meeting.

The press and public are welcome to attend this online virtual meeting. The link to attend and view the meeting will be made available here.

Membership:

Members
David Ewart (Chair)

Councillors:

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

Substitute Members

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

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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 of trade union).

(b) The interests a 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.

Ward Affected:
All Wards

Contact Officers: Debra Norman
Director of Legal, HR, Audit & Investigations
Tel: 020 8937 1578
Email: Debra.Norman@brent.gov.uk

Biancia Robinson
Senior Constitutional & Governance Lawyer
Tel: 020 8937 1544

Email: Bianca.Robinson@brent.gov.uk

7	**Review of the Member Development Programme and Members' Expenses**	17 - 52

To receive a summary of the Member Learning Development Programme since January 2020 and information regarding the Members' Expenses Scheme. It also provides an overview of upcoming member learning and development sessions.

Ward Affected:
All Wards

Contact Officers: Katie Smith
Head of Executive and Member Services
Tel: 020 8937 1399
Email: Katie.Smith@brent.gov.uk

Audit Items

8	**Internal Audit Annual Plan 2021/22**	53 - 64

To receive the draft Internal Plan for 2021/22 and the basis on which the plan had been prepared.

Ward Affected:
All Wards

Contact Officers: Michael Bradley
Head of Audit and Investigations
Tel: 07920 581620
Email: Michael.Bradley@brent.gov.uk

9	**Departmental Risk Management**	65 - 68

To receive a summary of the management of risk at departmental level across the Council.

Ward Affected:
All Wards

Contact Officers: Michael Bradley
Head of Audit and Investigations
Tel: 07920 581620
Email: Michael.Bradley@brent.gov.uk

10	**External Audit Plan 2020/21**	69 - 96

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

Ward Affected:
All Wards

Contact Officers: Sophia Brown
Senior Audit Manager, Grant Thornton
Tel: 020 7728 3179
Email: Sophia.y.brown@uk.gt.com

11 External Audit Progress Report and Sector Update 97 – 116

To receive an update from Grant Thornton 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.

Ward Affected: All Wards	**Contact Officers:** Sophia Brown Senior Audit Manager, Grant Thornton Tel: 020 7728 3179 Email: Sophia.y.brown@uk.gt.com

12 Value for Money Presentation on the New Code 117 - 124

To receive a presentation from Grant Thornton on the new Value for Money arrangements in the new Code of Audit Practice.

Ward Affected: All Wards	**Contact Officers:** Sophia Brown Senior Audit Manager, Grant Thornton Tel: 020 7728 3179 Email: Sophia.y.brown@uk.gt.com

13 Forward Plan 125 - 126

To consider and note the Committee's Forward Plan. .

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: **Tuesday 11 May 2021**

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Brent

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

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

Independent Member: Margaret Bruce

Independent Advisor: Vineeta Manchanda

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 Investigation 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).

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

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' 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.

7. **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.

8. **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.

9. **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**

There was no urgent business.

The meeting closed at 8:05 pm

David Ewart
Chair

Brent	**Audit and Standards Advisory Committee** 31 March 2021
	Report from: **Director of Legal, HR, Audit & Investigations**

Standards Report (including quarterly update on Gifts & Hospitality, 01.10.20 -31.12.20 and mandatory training)

Wards Affected:	All
Key or Non-Key Decision:	Not applicable
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:	One 1) Appendix A – Brent's response to the Committee on Standards in Public Life Standards Matter 2 Review
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	(1) Debra Norman, Director of Legal, HR, Audit & Investigations (ext. 1578) (2) Biancia Robinson, Senior Constitutional & Governance Lawyer (ext. 1544)

1.0 Purpose of the Report

1.1 The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members, and the attendance record for Members in relation to mandatory training sessions.

1.2 The report also updates the committee in respect of the appointment of Independent Persons for the purposes of Code of Conduct complaints and the appointment of co-opted Independent members to the committee, and in respect of a Committee on Standards in Public Life review.

2.0 Recommendations

2.1 That the Committee note the contents of the report.

3.0 Detail

Gifts & Hospitality

3.1 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.

3.2 Gifts and hospitality received by Members are published on the Council's website and open to inspection at the Brent Civic Centre.

3.3 During the third quarter (October to December 2020) one gift and hospitality entry has been recorded as follows:

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

Member Training Attendance

3.4 The Committee will be pleased to note that all Members have now undertaken and completed all mandatory training with exception of the Unconscious Bias and Data Protection/GDPR training.

3.5 The Committee will recall from its last meeting that Unconscious Bias training (which includes anti-Semitism and Islamophobia) is delivered in a workshop format and is not recorded. The session was attended by 42 members, and a list of members who were not able to attend was summarised and attached as an Appendix to the December Committee meeting report. Since that time, the Chief Executive has asked that these development sessions be put on hold, with a view to re-commencing mid-April or after the Annual General Meeting in May 2021.

3.6 The Data Protection/GDPR e-learning for elected members is presently being undertaken. This is an e-learning module with a flexible completion date at present. We can confirm that over 40 Members have completed this e-learning course to date.

3.7 The committee is reminded that at the recent full Council meeting the Members Code of Conduct was amended to formally record that Equality training and Data Protection training are mandatory.

Independent/Co-opted members

3.7 The Committee will recall that a recruitment process for the Independent/Co-opted members commenced in December 2020. This process has now concluded.

3.8 As the Committee knows, Independent Members must be chosen in a fair and open manner; and although the role of Independent Co-opted Member is not defined in the Localism Act (The Act), the role of Independent Person by virtue of section 28(8) of the Localism Act 2011 is. Further, the council also applies the independence standards in The Act to the co-opted member role as the same considerations apply. These considerations being, the person:

- has not been a member or employee of the Council within the five years before the date of appointment;
- is not a Member or officer of that or any other relevant authority;
- is not a relative or close friend of a Member or employee of the Council;
- has submitted an application for the appointment;
- has been approved by a majority of the members of the Council.

3.9 The Committee is asked to note that at its meeting in May 2021 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.

Committee on Standards in Public Life launches Standards Matter 2 review

3.10 The Committee will recall that in September 2020, the Committee on Standards in Public Life (CSPL) launched its Standards Matter 2 review, which involves a landscape review of the institutions, processes and structures that are in place to support high standards of conduct. The review assess best practice and highlight any themes and gaps in the way the Seven Principles of Public Life code of conduct are promoted and maintained. The Committee Chair, Jonathan Evans, stated: '*As well as sharing any lessons learned and best practice, we will consider whether there are gaps or issues that require further work. We want to check whether the Nolan principles are well understood, properly embedded and that they continue to reflect the standards expected by the public of those that serve them*.'

3.11 The public sector survey element of the consultation closed on the 29.01.21 and the Committee is presently undertaking online evidence sessions. A copy of the Council's response to the consultation questions is attached as Appendix A. CSPL aim to report their findings to the Prime Minister in September 2021 with their recommendations and best practice guidance. We will keep the Committee informed of the reviews progress.

4.0 Financial Implications

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

5.0 Legal Implications

5.1 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

The Committee on Standards in Public Life

Standards Matter 2: Public Consultation, Brent's Response

Email to: public@public-standards.gov.uk.

From: London Borough of Brent.

Question 1: Standards of Conduct in the UK

A. How well do you think ethical standards - as enshrined by the Seven Principles of Public Life - are upheld in public life today?

The legal framework established by the Localism Act 2011 ensures high standards of conduct by local councillors which to a large extent is complied with and embedded into daily practice and communication. The code adopted by Brent Council requires its members (including non-voting co-opted members) to maintain a high standard of conduct and, in particular, comply with the Seven Principles of Public Life. The code then sets out the general obligations members must comply with which covers a wide range of behaviours.

Furthermore, Members receive regular training, support, advice and guidance to ensure their conduct is in accordance with the Seven Principles of Public Life and the other behaviours mandated by its code of conduct; and are encouraged to seek advice from the Monitoring Officer for any ethical, or otherwise, matters they are unsure about.

B. Do you believe that there have there been any notable shifts in approaches or attitudes to ethical standards in public life in recent years?

Not in Brent.

C. What do you see as the most significant threats to ethical standards in public life today?

The ability to impose meaningful sanctions for breaches of the Code.

The existing sanctions are insufficient. If a Member, for example, refuses to apologise or undertake training, other than censure, no further action can be taken. There are no sanctions which are a sufficient response to very serious breaches.

The Council has previously made representations to this committee on the pressing need to legislate to address serious and/or persistent misconduct, after being elected, which falls short of even the proposed disqualification criteria. In other words, to empower local authorities to impose meaningful sanctions for code breaches.

The reinstatement of the full range of sanctions available under the former standards regime should be seriously considered by the Government.

In addition, currently the rules on political balance mean that councillors who are members of a political group cannot be removed from committees without the consent of their political group. This should be reviewed. Finally, if it is considered appropriate to make available to local authorities the ultimate sanctions of suspension and disqualification in cases of serious and/or persistent misconduct, consideration should also be given to the forfeiting of allowances: a special responsibility allowance and perhaps even some or all of a member's basic allowance.

Question 2: The Seven Principles of Public Life

A. **Do the Seven Principles of Public Life accurately describe the appropriate ethical responsibilities for those in public roles, including both political and non-political officeholders?**

Yes, please see above.

B. **Would you amend or replace any of the principles or their descriptors? If so, how?**

Amend Honesty to *include* "respect" as a "high standard of conduct" as opposed to an obligation within the code. In particular respect for their fellow Councillors and council employees.

Question 3: The UK's arrangements for regulating standards

A. **Are you confident that the UK's arrangements for regulating ethical standards are robust and effective?**

Please see response to C above.

B. **Are there any areas of public life where regulation on issues of ethical standards is not strong enough**?

Please see response to C above.

Question 4: Best practice in standards regulation

A. What makes an effective standards regulator?

One example of an effective Standard's regulator is to be able to impose meaningful sanctions, as per above. Consequently, in the absence of a Standards Board there is not an effective external regulator.

B. Do the UK's standards regulators have the right powers and remit to act effectively?

Please see above.

C. Should the independence of standards regulators be enhanced and protected, and if so, how?

Please see above.

Question 5: Creating ethical cultures

A. **How can the Seven Principles best be embedded within a public sector organisation's working culture?**

The council takes the issue of standards and the Nolan principles seriously, accordingly it is referenced into the protocol for member/ officer relations and the Council's Constitution. In addition, it is embedded into the working culture by being included in training, support, advice and guidance to the wider council.

B. **What are the most significant obstacles to embedding high ethical standards in a public sector organisation?**

The absence of effective sanctions.

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Brent	**Audit and Standards Advisory Committee** 31st March 2021
	Report from the Assistant Chief Executive

Annual Review of the Member Development Programme and Members' Expenses

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:	Four: • Appendix 1 – Draft Learning and Development Programme 2021-22 • Appendix 2 – Feedback report on the Member Learning and Development programme • Appendix 3 - LB Brent Charter Plus Interim Review • Appendix 4 - Member Expenses, 2019-2020
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Katie Smith, Head of Executive and Member Services Tel: 020 8937 1399 Email: katie.smith@brent.gov.uk Michelle Sylva Member Support Officer Tel: 020 8937 5447 Email: Michelle.Sylva@brent.gov.uk

1.0 Purpose of the Report

1.1 The purpose of this report is to provide members of the Audit and Standards Advisory Committee with a summary of the Member Learning Development Programme since the last report to Committee in January 2020; and information regarding the Members' Expenses Scheme. It also provides, at Appendix 1, an overview of upcoming member learning and development sessions.

2.0 Recommendations

2.1 That the Committee notes the work being undertaken by the Member Learning and Development Steering Group in ensuring effective training and development for Brent's elected representatives.

2.2 That the Committee notes the expenses claimed by Members in the course of their work in 2019-2020 (Appendix 4).

3.0 Background

3.1 Members of the Audit and Standards Advisory Committee last reviewed the Member Development Programme on 20 January 2020. The Committee also considered a report on mandatory training on 8 December 2020. That review covered the period from May 2018 to December 2020.

3.2 In addition to the annual review by members of the Standards and Audit Advisory Committee, the member learning and development programme is monitored quarterly by the cross party Member Learning and Development Steering Group. The scope of that Group is to consider the type of training provided, review attendance at each session and consider any requests and suggestions for training from Members, in particular requests for external training with a cost implication.

3.3 The Member Learning and Development Steering Group provides constructive input and evaluation of the programme. A strong political lead on member development from all groups is essential to ensure member ownership of the programme.

4.0 Member learning and development programme and the Impact of Covid-19

4.1 Since the last report to the Committee on 20 January 2020, the Council has organised and delivered thirty-nine Member learning and development sessions, fourteen of which were delivered face-face and twenty-five were delivered virtually on Zoom. Since March 2020, eleven of the thirty-nine sessions provided have been mandatory. Members who were unable to attend the original mandatory training sessions were required to attend a repeat session.

4.2 Training has continued during the Covid-19 pandemic but delivered entirely via Zoom and with a focus on a) Member roles during the pandemic and b) training in Microsoft Teams and Zoom to ensure effective participation at virtual meetings. All 63 Members of the Council now have access to Microsoft Teams and Zoom. Training was provided on conduct at remote meetings and how to chair a remote meeting (see para 4.12). This has supported the democratic processes of the Council to be able to continue with most Committees meeting in public via Microsoft Teams or Zoom.

4.3 The Covid-19 pandemic has led to the postponement of some Member Learning and Development training sessions. Some training events will be carried over into the 2021/22 municipal year and a draft programme is attached at Appendix 1.

Member attendance

4.4 The Covid-19 pandemic has had a mixed impact on the council's ability to support member learning. It has been more difficult to deliver skills-based training as that benefits from face to face sessions. However, imparting knowledge via virtual sessions has worked well and overall there has been a significant rise in attendance, with sessions attracting on average 30 members each and up to 45 for some.

4.5 The Council has opted to deliver its Member Learning and Development sessions via Zoom and has benefited from the governance team's advice on how to get the best out of the platform. Members and officers are now very comfortable with the system, there have been no security breaches and, in general, sessions are highly interactive as members get used to using the hands up and chat function as well as contributing orally.

4.6 Member attendance at internal learning and development sessions has varied for each session during the current municipal year. Reminders are issued on a weekly basis via outlook calendar invitations, text messages and email, weekly members' information bulletin.

4.7 Aside from the mandatory sessions, the training with the highest attendance were: the *Poverty Commission* member briefing, *Sustainability Strategy - Climate Emergency* and the *Unconscious Bias - Interrupting bias* workshop. All three had attendance of over forty Members. The next most attended sessions were the *Local Government Finance and the Budget* and *Customer Access and Digital Services* briefings. Over 30 Members attended both the sessions.

4.8 All Members have now undertaken and completed all mandatory training. At the last full council in February 2021, it was agreed to add Equalities and the General Data Protection Regulation (GDPR), to the list of mandatory training in the Brent Members' Code of Conduct. The GDPR e-learning is presently being undertaken by Members. To date, over 40 Members have completed this e-learning course.

Elected Members Induction Day – 27 January 2020

4.9 Four Members were elected to Brent Council at by-elections held on 24 January 2020. The core induction session for the new members was delivered on 27 January 2020. It was based on the 2018 Member induction, and provided key information, support, resources and training for the new members. The four newly elected Members were given a welcome pack of basic information, IT equipment including forms to complete.

4.10 The programme focused initially on a general introduction to the Council and core issues including mandatory trainings, with the objective that, by the end of the programme, Members would have a better knowledge of all the Council's service areas and immediate challenges and priorities. The approach to induction was evaluated as part of the survey of members, discussed below and at Appendix 2.

Chairing and Presentation skills for Remote Meetings

4.11 In response to requests from a number of Councillors, the Member Learning and Development Working Group arranged a Chairing and Presentation skills for Remote Meetings course for Members. This course was offered and delivered by an external trainer in September 2020.

4.12 The course was targeted at chairs of committees and cabinet members as well as Members who wished to refresh and enhance their skills at chairing and attending meetings, whether formal council meetings or local community meetings. The aim of this session was to explore with Members the different challenges of chairing remote meetings and to identify different skills required and some practical approaches to ensure the meeting goes well. Members who attended were also signposted to useful sources of support/guidance and good practice.

External Training Events

4.13 Attendance at external training events has been more limited in 2020 due to Covid-19. Our external training partners have also had to refocus their support to councils to ensure their resources are best placed to help with immediate challenges. Since March 2020, Members have only attended a limited number of external training events delivered by organisations including the Local Government Association (LGA), London Councils, Centre for Governance and Scrutiny (CfGS) and the Local Government Information Unit (LGIU).

4.14 The Member Learning and Development working group considers all attendance at external sessions.

Feedback

4.15 Feedback has been crucial to shaping and developing the member development programme. In August 2020, a survey was sent to all Members to gather views on the council's Member Learning and Development programme past and future. Members were asked to give details of any training events that they would like to see in the programme for 2020/21 and their preferred method of communication.

4.16 The detailed feedback data is attached as Appendix 2. In summary:

- Nearly a third of councillors responded to the survey
- the ways in which the council communicates with members were positively received.
    - Additional suggestions included the introduction of a messaging facility for urgent updates; more information to be provided which can be directly passed on to residents; and a call for more financial information in relation to the council
- a range of suggestions for specific training included sessions on the Black Community Action Plan and Poverty Commission, and skills sessions on using information technology. All of these have been actioned.
- Members were specifically asked what further training they needed on Brent's constitution which informed sessions on that topic to prepare Members for future meetings of Full Council.
- There were strong preferences for continuing to provide training virtually, for Zoom to be continued to be used, and for the training to take place in the evening.
- Members felt very positive that the Council had supported them well to work remotely and made a few specific suggestions for improvements.

5.0 Member Development Charter Award – Gold Standard interim assessment – 9 October 2020

5.1 Brent Council's approach to member learning is regularly reviewed by an external assessor to check our approach is effective and informed by practice elsewhere. The Council was most recently assessed in October 2020 to ensure that the Council was continuing to make progress as part of the award of its London Charter for Elected Member Development Charter Plus – Gold Standard.

5.2 In summary, the feedback was positive, highlighting the Council's continued success and commitment to member development. The assessor identified that there continues to be strong support for councillor development across the organisation and a key political lead led by the high profile Member Development Steering Group.

5.3 The following areas were suggested for improvement:

- That Brent Council continues to ensure that the Personal Development conversations continue with councillors on a two yearly basis following the election and a two-year interim refresh. A target of 60% pus of councillors having a PDP and personal development conversation should be aimed for.

- Consideration should be given to councillors' resilience and the impact of Covid-19 pandemic on councillors' wellbeing. Support and action to be led by the MDSG.

- A whole Council Councillor mentoring programme of support with trained mentors should be considered to be in place by the 2022 elections. Councillors more recently elected in a by-election (January 2020) should be provided with an internal mentor as soon as possible.

5.4 The full report is attached as appendix 3 and the next reassessment visit will take place in December 2021.

6.0 Members' expenses

6.1 The Council's Allowance scheme for Members, as detailed in Part 8 of the council's constitution, makes provision for the payment of certain expenses, in accordance with stipulated conditions.

6.2 The Executive Support Manager is responsible for administering the Members' Allowance Scheme and therefore oversees the receipt, processing and payment of all appropriate expense claims submitted by members.

6.3 A total of £1,439.41 was claimed in 2019-2020. The majority of these claims were for travel to and from Warwick and Coventry for LGA training/conferences. In addition to travel, there were also three claims for hotel accommodation for the LGA conference. Member Expenses for 2019 -2020 is attached at Appendix 4.

6.4 To date, there has been no expense claimed for 2020-2021 due to Members not attending face-face external training events.

7.0 Financial Implications – Expenses

7.1 The costs of the member learning and development programme are met from a budget of £20,000. Internal sessions delivered by Council Officers help to keep costs down, there was no overspend this year.

8.0 **Legal Implications**

8.1 None for the Member Development Programme.

8.2 The Local Authorities (Members' Allowances) (England) Regulations 2003 requires the council to keep a record of the payments made by it in accordance with its Members' Allowance Scheme. The record has to be made available for public inspection and copies can be supplied too on request and on payment of a reasonable fee.

8.3 After the end of each year, the total amount paid in that year to each member has to be published in the council's area.

9.0 **Equality Implications**

9.1 This report contains no specific diversity implications.

10.0 **Consultation with Ward Members and Stakeholders**

10.1 This report has been shared with the Member Learning and Development Steering Group Members.

11.0 Human Resources/Property Implications (if appropriate)

11.1 N/A

<u>Report sign off:</u>

Shazia Hussain
Assistant Chief Executive

Member Learning and Development

Draft Future Programme

May 2021 – December 2021

Order of Priority	Session Title	Type of Session
-	• Data and Information Security (GDPR training) – following E-learning	Knowledge-based training - Mandatory
24 May 2021	• Alcohol and Entertainment Licensing Committee	Annual mandatory Committee training
25 May 2021	• Planning Committee	Annual mandatory Committee training
1 June 2021	• Audit & Standards Advisory Full Committee	Annual mandatory Committee training
2 June 2021	• Scrutiny Induction	Annual mandatory Committee training
8 June 2021	• Member Learning & Development - Prevent Matters – Briefing from the Home Office Counter terrorism team and Brent Prevent Team	Member Briefing
15 June 2021	• Brent Pension Fund Sub-Committee & Pension Board	Annual mandatory Committee training
23 June 2021	• Reviewing the approach to Councillor surgeries	Briefing
29 June 2021	• Integrated care partnerships / Primary care networks Health changes	Skills development
7 July 2021	• Trading Standards and Food Safety	Briefing
27 July 2021	• ASB, policing and community safety	Skills development
13 September 2021	• Unconscious Bias – Follow up	Skills development
28 September 2021	• Deaf and Disability Awareness	Skills development
-	• Media training for Cabinet Members, particularly on camera interviews	Skills development
11 October 2021	• Neuro-diversity awareness session - focused on adults and autism	Skills development

19 October 2021	• LGBT+ language session	Skills development
9 November 2021	• To Be a Councillor Event	
8 December 2021	• Possible Charter Plus 3 years assessment	

Brent

Member Learning & Development Programme 2020 - Survey

August 2020

The council recently conducted a survey of the training and development programme for Elected Members. Twenty Members responded (31% response rate). The survey was anonymous.

Total Responses

20

Date Created: Monday, 01 March 2021

Complete Responses: 20

The purpose of the survey:

- establish preferred ways of receiving learning and development training
- establish preferred ways of receiving communications from the council
- gather ideas on topics for future MLD sessions
- assess the quality of induction and PDP discussions
- assess the quality of the current training and development programme being offered to Members and to identify needs and summarise the initial Member Learning and Development offer since the Charter Plus assessment in December 2018.

Total Questions - 27

The survey was anonymous

The survey was divided into six sections:

Section 1: How we communicate with you

Section 2: Member and Learning Development Programme: Autumn/Winter 2020-21

Section 3: The Constitution

Section 4: Member and Learning Development Programme: learning styles

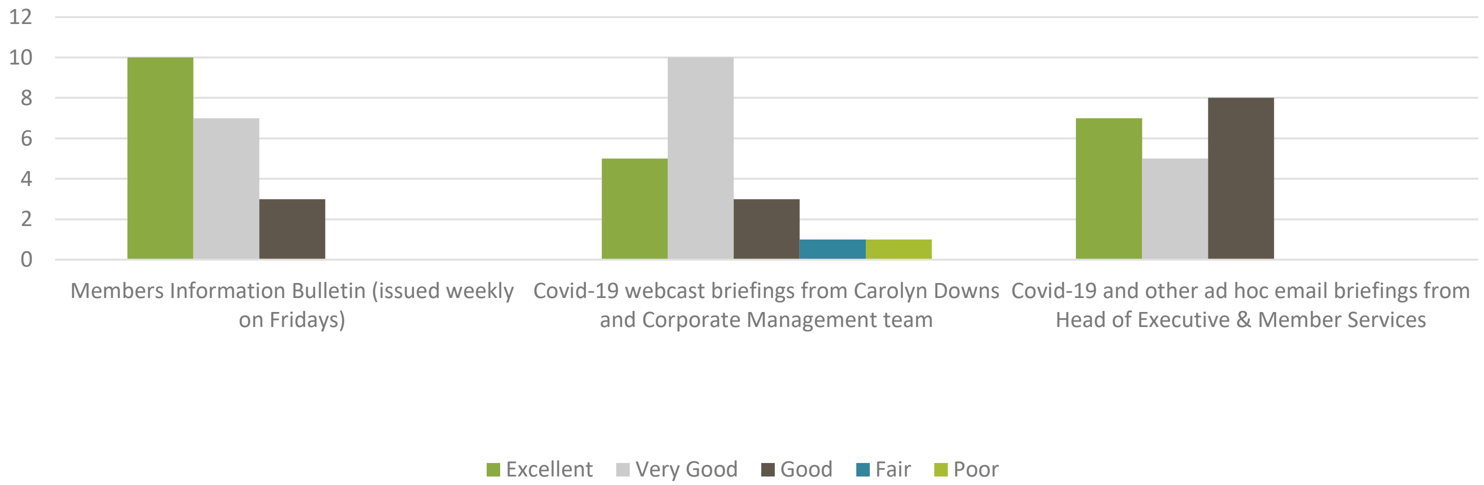
Section 5: Skills and Tools - Support for virtual meetings and training

Section 6: Induction and Personal Development Plan

Q1: Rank the following methods of communication:

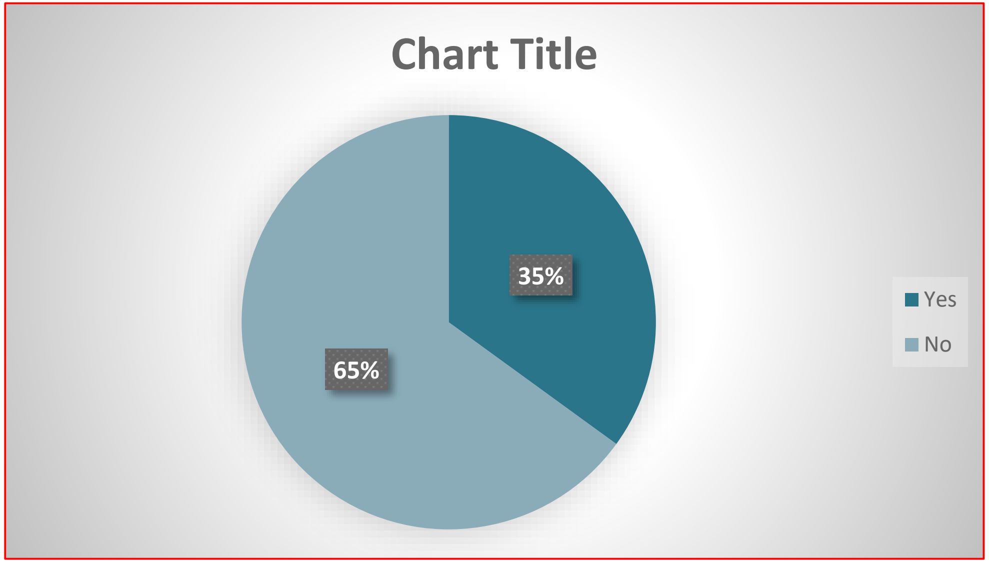
- Members Information Bulletin (issued weekly on Fridays)
- Covid-19 webcast briefings from Chief Executive and Corporate Management team
- Covid-19 and other ad hoc email briefings from Head of Executive & Member Services

Answered 20 Skipped 0



Q2: Do you have suggestions for other ways you would like to receive information?

Answered 20 Skipped 0



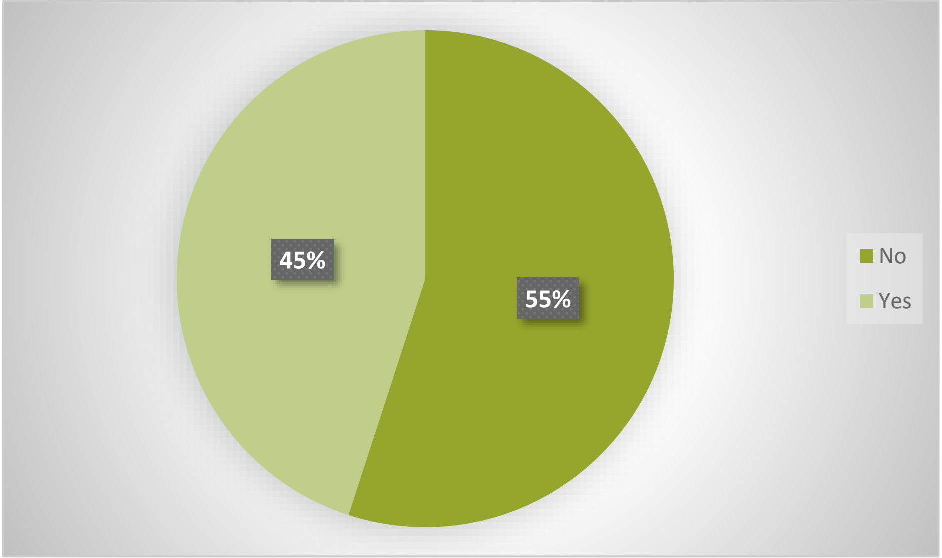
Q3. Suggestions for other ways to receive information

- Bulletin to come out on Mondays or mid-week and not Fridays
- There should not be a word limit for questions in webcast briefings
- To break out into smaller groups with other Councillors from surrounding wards to discuss how members are all assisting residents.
- Members Bulletin - would like the matters in the bulletin to be expanded.
- Covid-19 webcast - to be at a time when more members can listen in
- The more information available for Members to convey to residents would also be useful.
- Weekly emails containing key metrics summarising the week (e.g. how many housing cases received, how many housing cases closed, amount spent on temporary accommodation, number of complaints/cases raised split by department/theme)
- Monthly emails containing financial information in relation to running the Council
- WhatsApp for urgent updates

Section 2: Member and Learning Development Programme: Autumn/Winter 2020-21

Q4: Is there anything else you would like to hear about and we can build it into the 'Spring 2021 programme'?

Answered: 20 Skipped: 0

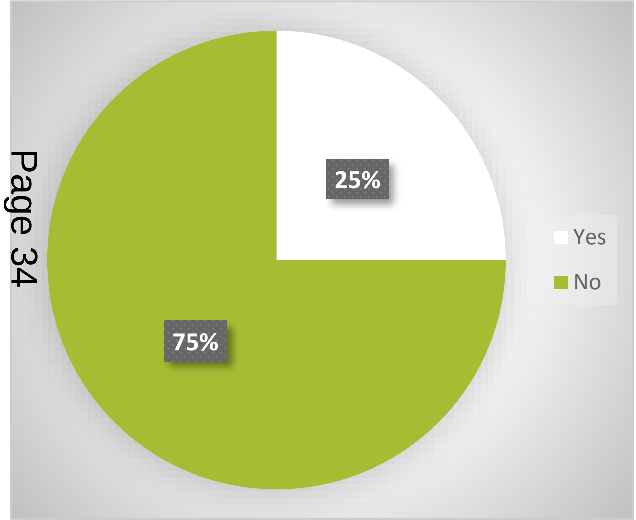


Q5: If yes to Q4 please give details

- How to nurture and strengthen community support groups created during Covid-19.
- In addition to the unconscious bias training, training session specifically for the Black Lives Matter campaign, detailing council progress with the Black Action plan and what else we can do as councillors to assist.
- A session providing an update on the Poverty Commission report
- A session detailing how the Council works collaboratively with: 1 - Surrounding councils; 2 - London Councils
- A session focussed on the charity and voluntary sector in Brent to understand the landscape and see how we can activate partnerships with them and within them

Q6: Past sessions we have run since February: Would you like to see any repeated? (Qs 6-8)

Answered: 20 Skipped: 0



Q7. If yes to Q6 please give details

- Chairing
- Chairing skills and Questioning Skills Workshop for new members of scrutiny
- Children and Adult Safeguarding.
- Communications Technology in Brent
- Health, Scrutiny and Housing

Q8. If no to Q6 please give details of any sessions you would like us to stop doing.

- All sessions undertaken to date have been excellent
- Chairing skills. Have had several sessions.
- General IT, split into beginners and wizards.
- To give support to Members who were unable to attend.

Section 3: The Constitution

In response to Member demand, on September 10th, we ran a session on the Brent Constitution. This covered the following:

- explain the purpose of the Constitution and how changes to it are discussed and agreed
- outline the structure and contents of the Constitution
- explain how constitutional decision–making powers are distributed and the constraints on their exercise
- draw attention to Codes and Protocols

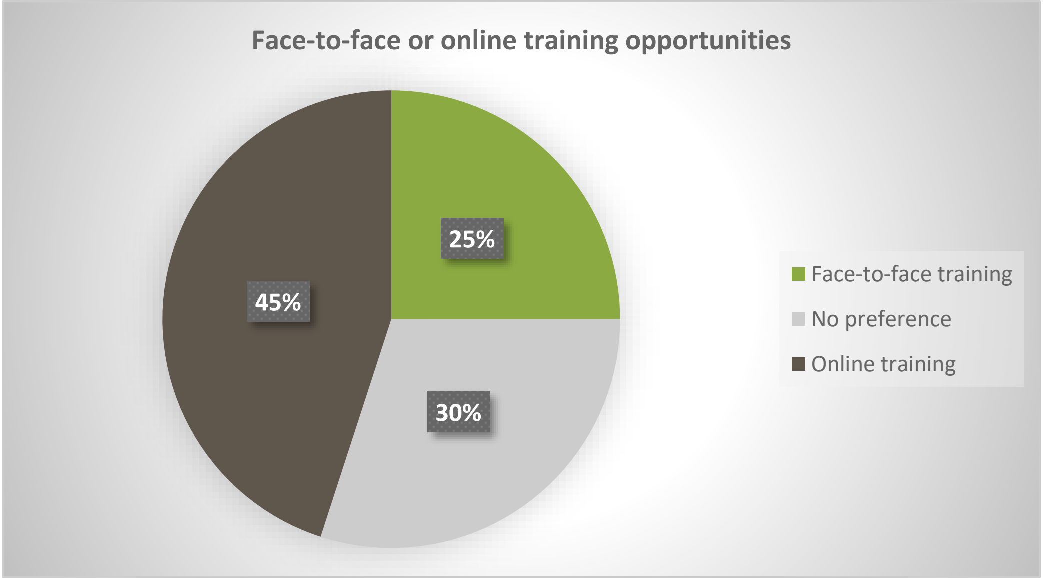
Q9. Other areas you would like us to cover?

Answered: 20 Skipped: 0

- Over and above the purpose of the Constitution, to explain its applications on a day-to-day basis (i.e. how the goals are implemented and applied)
- How is performance against the Constitution measured and reported? In addition, to whom?
- Code of conduct
- Brent Standing Orders as the apply to LG
- Budgeting
- Call in
- How the time periods for raising questions (whether by members or members of the public) are decided upon. Papers for or the full subject of the meeting to be made available at the date by which a question must be lodged, to avoid the risk of bringing the process of transparency & accountability into disrepute. In addition, how members can make suggestions for changes, if legally possible.
- Members' responsibilities in upholding the constitution - what is expected
- Role of the Mayor
- Terms of reference of the committees.
- The role of backbenchers in the Chamber.

Q10. Do you prefer face-to-face or online training opportunities?

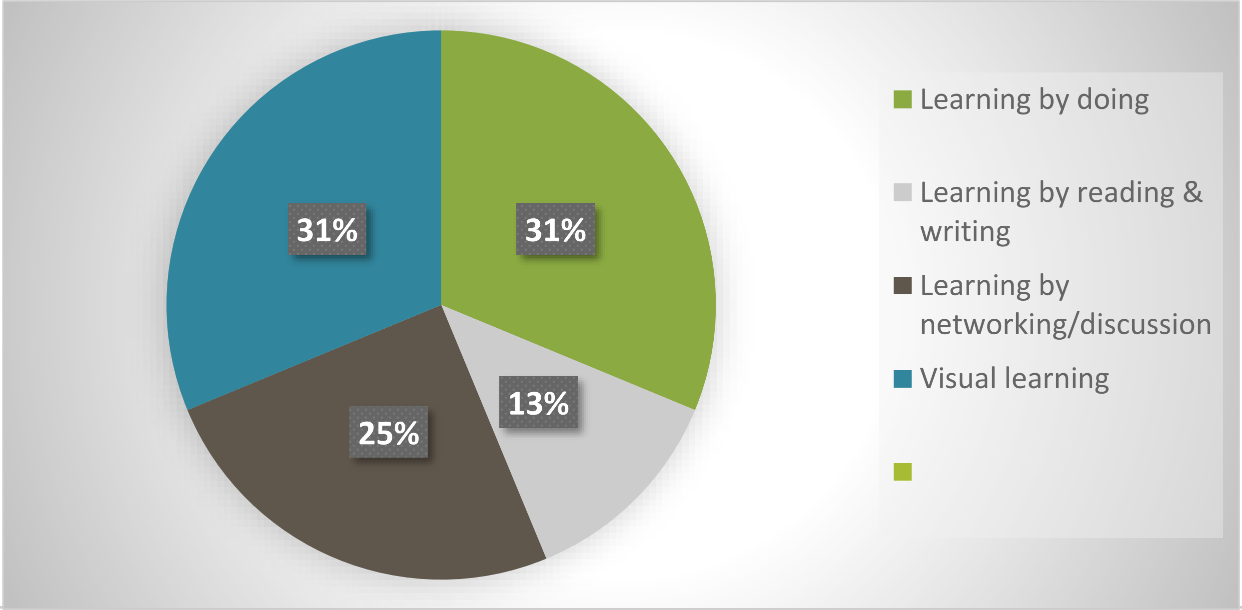
Answered: 20   Skipped: 0



Section 4: Member and Learning Development Programme: learning styles

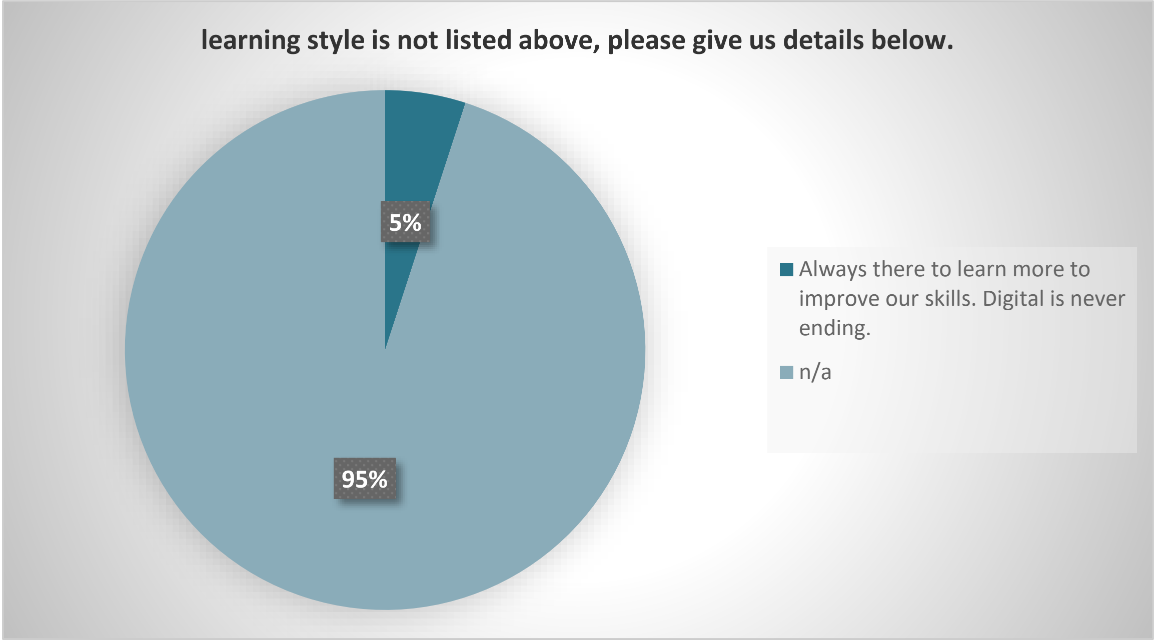
Answered: 10   Skipped: 0

Q11. Preferred learning style



Q12. If your preferred learning style is not listed above, please give us details below.

Answered: 20 Skipped: 0



Q13. What other formal external learning experiences have you found most effective in your role as a councillor?

Answered 20 Skipped 0

Mentoring

Tenants & Residents Associations

School governor

Local Government Association (LGA) training courses

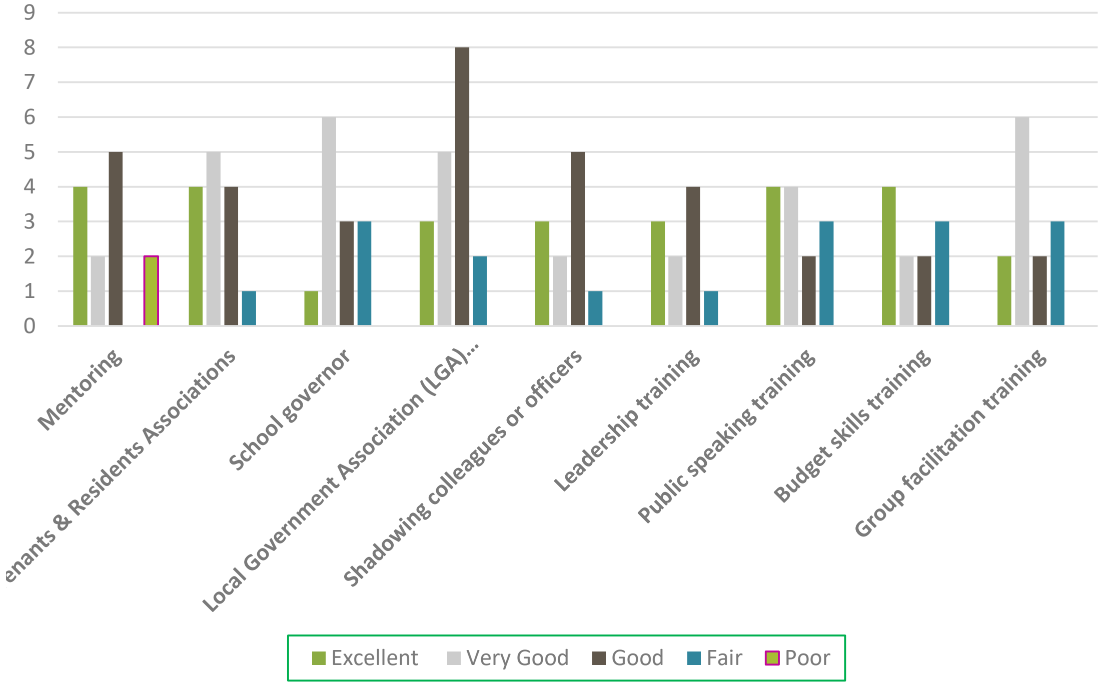
Shadowing colleagues or officers

Leadership training

Public speaking training

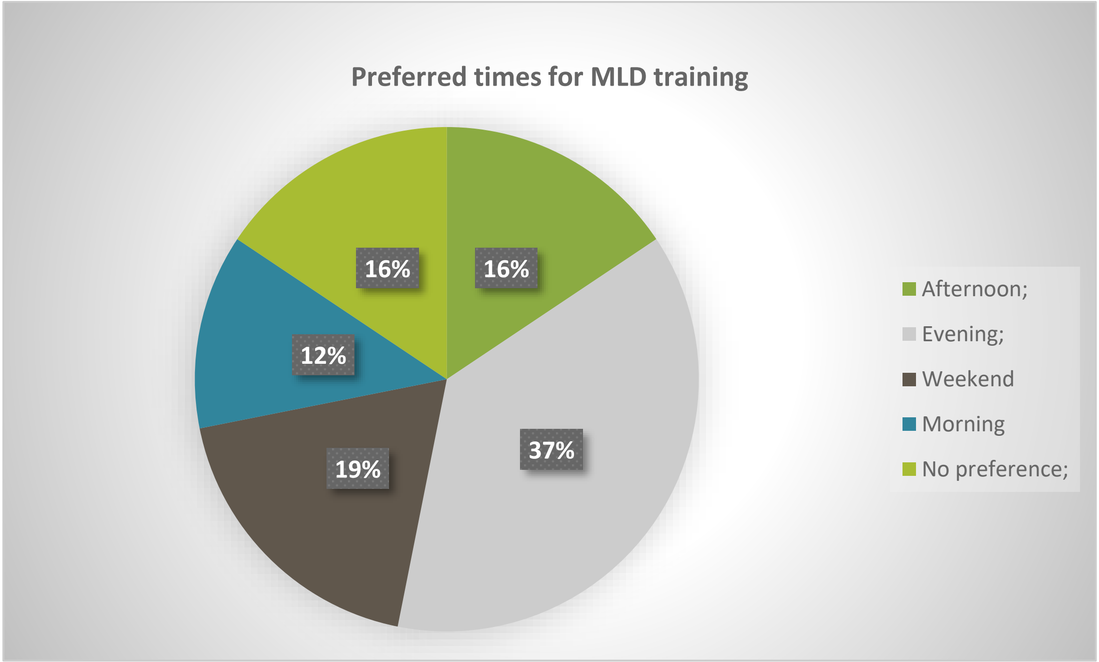
Budget skills training

Group facilitation training



Q14. What are your preferred times for MLD training? Tick all that applies? Multiple answers.

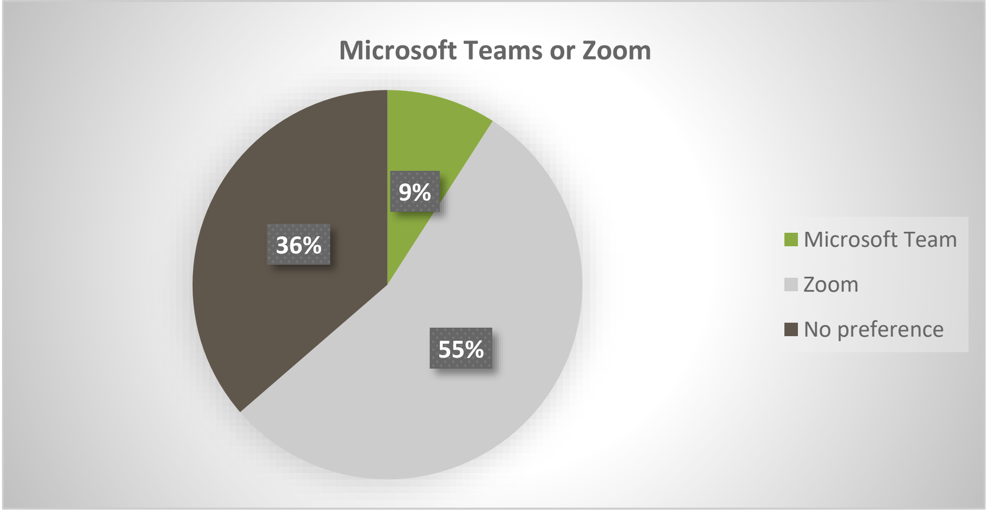
Answered 20   Skipped 0



Section 5: Skills and Tools - Support for virtual meetings and training

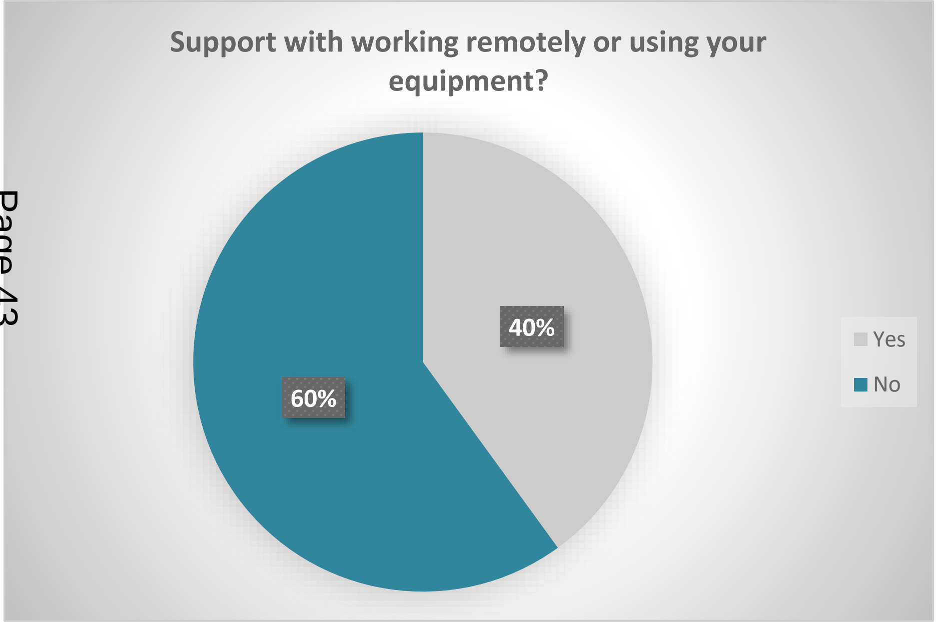
Q15. Do you prefer Microsoft Teams or Zoom for delivering remote meetings and training sessions?

Answered 20 Skipped 0



Q16. Do you require additional support with working remotely or using your equipment? (Qs 16-17)

Answered 20 Skipped 0



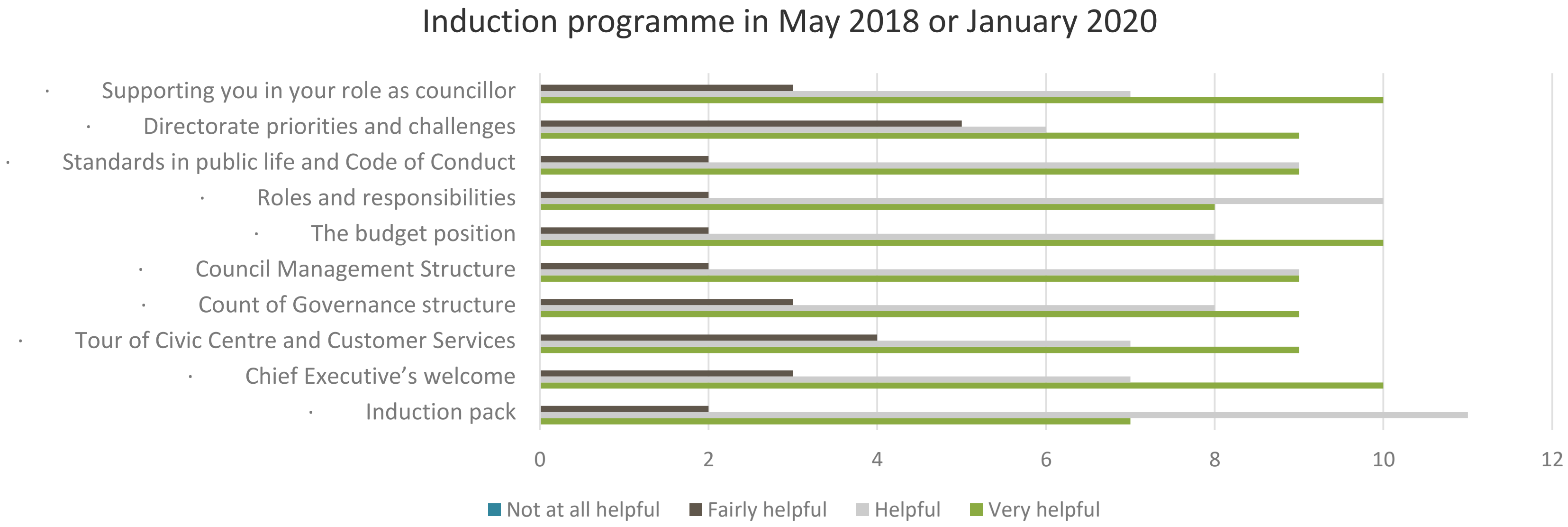
Comments:

- Learning more on one to one
- More training on Microsoft Office and Outlook
- Working conditions like suitable chair, table and other relevant equipment

Section 6: Induction and Personal Development Plan

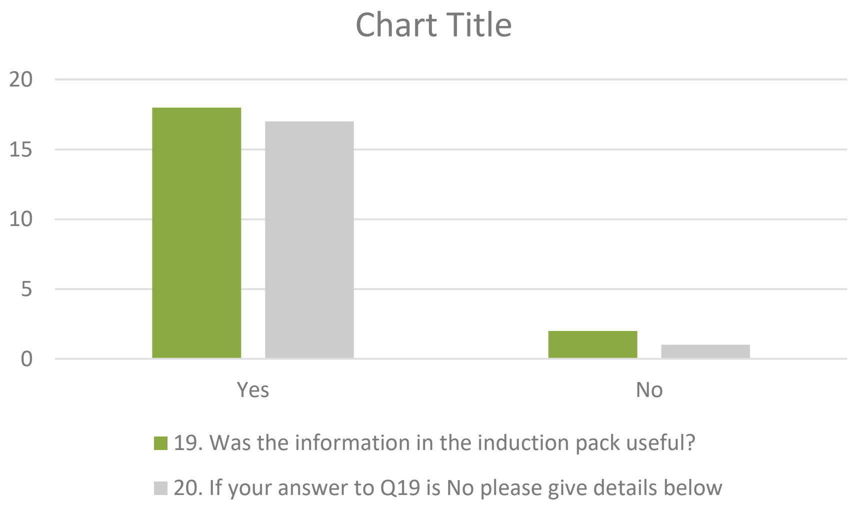
Q18. What subjects within your induction programme in May 2018 or January 2020 did you find most helpful with your orientation?

Answered 20 Skipped 0



Elected Member Induction (Qs19-22)

Answered 20 Skipped 0



Comments:

- Another session with more depth would be helpful.
- Guidance from co-councillor would be helpful, especially as it's more ward-specific.

Q23. Personal Development Plan (PDP):
How did you find the Personal Development Plan session with South East Employers? (Qs 23-25)

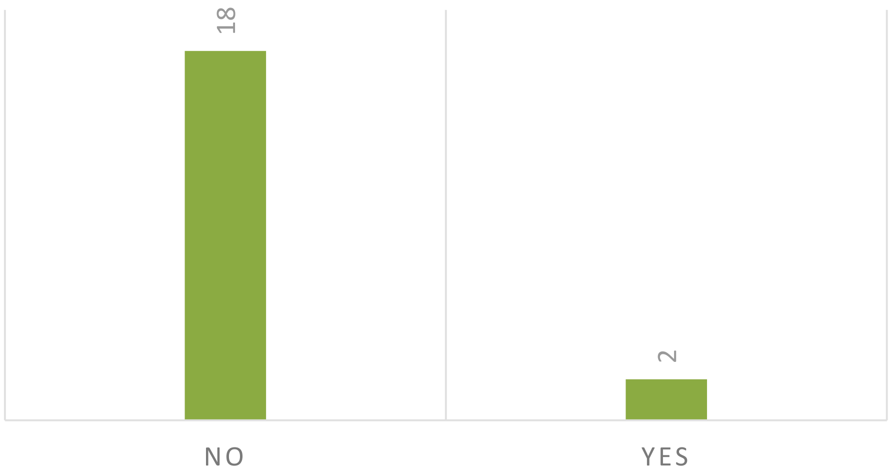
Answered 20 Skipped

Comments:

- Forces teamwork
- Would be helpful for Brent Council to visualise a councillor's ability and capacity clearly.
- Found it basic - again seeking more insight and depth.

26. Is there anything else you would like to tell us about? (Qs 26.27)

Answered 20 Skipped



Comments:

- More e-learning should be introduced so that Members can learn at times of their convenience.

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Brent Member Learning and Development Charter Plus interim assessment – 9 October 2020

<u>Assessors' Comments</u>

Following Brent Council's Charter Plus Interim Assessment on the 9 October 2020, Brent Council continues to meet the standard of the Councillor Development Charter Plus, the highest award. Following the December 2018 Assessment an interim Assessment was undertaken on the 9 October 2020 to ensure that the Council was continuing to make progress. There continues to be strong support for councillor development across the organisation and a key political lead led by the high profile Member Development Steering Group (MDSG).

The Council has responded quickly to the Covid-19 pandemic with regard to how it supports and delivers training and development on a virtual basis. Virtual training has seen an increase in the numbers of councillors participating (average 30 councillors) and in the recent Members Survey virtual training or a hybrid model had the overwhelming support of the councillors responding.

The interim review submission and recent meeting identified the following key strengths:

- Leadership development. There is a high profile commitment to leadership development to support a commitment to political succession planning. Eight cabinet members have undertaken leadership development via the LGA and six have completed the Leadership Academy. The leadership has proactively brought forward new talent as part of the cabinet and three cabinet members will be undertaking the Leadership Academy in January 2021.

- Cabinet members have been supported with 1-1 mentoring via the LGA in addition to the Mayor and Deputy Mayor.

- The council has further developed its collaborative working with partner organisations and partners have been directly involved in councillor development delivery.

- The Council has promoted and supported its approach to Councillor Development. The Leader was engaged in a support for LB Barking and Dagenham and the key officers actively engage in the London Member Development Network.

Recommendation for Continuous Improvement

- That Brent Council continues to ensure that the Personal Development conversations continue with councillors on a two yearly basis following the election and a two-year interim refresh. A target of 60% pus of councillors having a PDP and personal development conversation should be aimed for.

- Consideration should be given to councillors' resilience and the impact of Covid-19 pandemic on councillors' wellbeing. Support and action to be led by the MDSG.
- A whole Council Councillor mentoring programme of support with trained mentors should be considered to be in place by the 2022 elections. Councillors more recently

elected in a by-election (January 2020) should be provided with an internal mentor ASAP.

- That Brent Council continues to meet the standard of the Councillor Development Charter Plus and a full re-assessment will be undertaken in December 2021.

Appx4 - Members Expenses 2019-2020

Councillor Name (Claimant)	Nature of Expence	Date Expense Incurred	Date Claim Submitted	Mode of Travel	Value of Claim	Claim Approved /Rejected
Cllr. Krupa Sheth	Car Mileage - LGA Training Warwick	21/06/19	08/07/19	Car	£88.20	Approved
Cllr. M. Butt	Accommodation LGA Annual Conference	2-4/7/2019	05/07/19	N/A	£332.00	Approved
Cllr. M. McLennan	Accommodation LGA Annual Conference	2-4/7/2019	05/07/19	N/A	£332.00	Approved
Cllr. R. Colwill	Accommodation LGA Annual Conference	2-4/7/2019	05/07/19	N/A	£332.00	Approved
Cllr. Ethapemi	LGA Training Warwick	10-11/9/19 & 4-5/10/2019	05/11/19	Taxi	£52.00	Approved
Cllr. Gbajumo	Young Councillors Weekend Coventry	23/11/19	23/11/19	Train	£25.17	Approved
Cllr. McLennan	LGA Conference Bournemouth	28/06/19	02/07/19	Train	£121.53	Approved
Cllr. Mili Patel	LGA Training Warwick	28/11/19	28/11/19	Train	£25.17	Approved
Cllr. T. Stephens	LGA Training Warwick	11/09/19	11/09/19	Train	£19.80	Approved
Cllr. Ethapemi	LGA Training Warwick	04/10/19	04/10/19	Train	£31.27	Approved
Cllr. Ethapemi	LGA Training Warwick	04/10/19	04/10/19	Taxi	£24.00	Approved
Cllr. Ethapemi	LGA Training Warwick	06/09/19	06/09/19	Train	£31.27	Approved
Cllr. Ethapemi	LGA Training Warwick	27/02/20	27/02/20	Taxi	£25.00	Approved

Total	**£1,439.41**

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Brent	**Audit and Standards Advisory Committee** 31st March 2021
	Report from the Director of Legal HR Audit and Investigations

Draft Internal Audit Plan 2021/22

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
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 1 - Internal Audit Plan 2021/22 • Appendix 2 - Counter Fraud and Awareness Plan
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 This report sets out the draft Internal Plan for 2021/22 and the basis on which the plan has been prepared.

1.2 All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2003 (as amended). The Public Sector Internal Audit Standards (PSIAS) require, "…chief audit executive to establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".

1.3 In accordance with the terms of reference for the Committee and in accordance with Standard 2000 – Managing the Internal Audit Activity as outlined within the Public Sector Internal Audit Standards, the Audit and Standards Advisory Committee is asked to review and approve the 2021/22 Internal audit plan.

2.0 Recommendation

2.1 The Audit and Standards Advisory Committee approve the content of the plan (Appendix 1).

3.0 Detail

3.1 The audit planning process reflects that the control environment is constantly changing, requiring continuous review and re-evaluation to ensure that emerging risks are identified and assessed and included as appropriate in the audit plan. The impact of audit work in relation to the pandemic has led to a higher number than usual of audits being carried over from the previous year.

3.2 Based on the budget available for internal audit work, we have made provision for:

- Providing assurance on high-risk areas (including major financial systems) via a risk-based auditing approach and areas that have not been audited for longest, regardless of inherent risk (59%);
- Schools audit coverage via 10 establishment visits and one follow up (12%);
- Follow up reviews to monitor implementation of audit recommendations (11%), and
- An element for contingency to enable the audit service to provide ad hoc advice and to respond to management requests for support (18%).

3.3 The plan, which is attached at Appendix A, has been based on the assessment of departmental and corporate risks as identified in a 2020/21 risk review exercise as well as consultation with senior managers. Each audit will contribute to assurance over at least one of the corporate risks.

3.4 The Audit Plan aims to focus upon areas of highest risk as outlined above at 3.2 and is sufficient to provide management with an independent assurance on the adequacy of the Council's governance, risk management and internal control framework.

3.5 The budget for the contracted element of the Internal Audit service has remained the same as for 2020/21. We are confident that resources available allow the provision of effective, meaningful assurance via the annual audit plan.

3.6 The draft Audit Plan will be shared with the Council's external auditor, Grant Thornton. The plan will be delivered through a mixture of in-house and external contractor (PwC) provision.

3.7 The work of the Investigations team is more generic in nature and split between reactive and proactive activity. Details of the planned allocation of Investigation resources is attached at Appendix B.

4.0 Financial Implications

4.1 The proposed Internal Audit Plan for 2021/22 will be delivered in accordance within the approved budget.

5.0 Legal Implications

5.1 All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and Accounts and Audit Regulations 2011 (as amended). The Public Sector Internal Audit Standards 2017, also require proper planning of audit work.

6.0 Equality Implications

6.1 None

7.0 Human Resources/Property Implications (if appropriate)

7.1 None

<u>Report sign off:</u>
Debra Norman, Director of Legal HR Audit and Investigations

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Draft Internal Audit Plan 2021/22

	Audit	Audit Description and indicative scope	Quarter	Days
Cross Cutting Reviews				
1	Equality Strategy	• Vision and objectives • Roles and responsibilities • Monitoring and reporting	3	15
2	Flexible Working	• Strategy • Wellbeing • Training • Contracts • IT Assets • IT Security	1	15
3	Establishment control/ Leavers Process	• A review of the risks and associated controls including: • Establishment control • Asset management • Data security • Access controls (physical and logical)	2	15
Customer and Digital Service				
4	Council Companies and Governance Review	• Governance and role of statutory officers • Reporting, scrutiny and risk management • Policies and procedures • Advice and guidance • Risk Management • To complement Scrutiny Committee review of governance	2	15
5	Cyber Security /Cloud Governance	Follow on from Cyber Security Workshop: • Strategy • Identification of threats • Protection • Detection • Responding and Recovery	3	30
6	Oracle Cloud Project	Real time audit controls advisory work as project progresses and ongoing programme management review.	All	100

	Audit	Audit Description and indicative scope	Quarter	Days
Finance				
7	Support for Schools	Review of Finance support for schools including; • Advice and guidance • Policies and procedures • Monitoring and reporting	2	15
8	Key Financial Systems	Reviews of key controls in critical systems (GL, AP, AR, Payroll, Treasury) following Go Live of Oracle Cloud. Could be partly assessed during UAT Oracle work	3/4	50
9	Budget Management and Planned Savings	Corporate arrangements for Budget monitoring and forecasting. • Strategy • Communication • Monitoring and reporting • Benefits Realisation/impact • Penalties	2	15
10	System Financial Processes	Reviews of controls in system financial processes - to focus on Northgate housing benefit and rent and how these work together.	2	15
11	Purchasing Cards	Review to include procurement cards and pre-paid cards - strategic considerations around use of cards for low value transactions, approvals, use of Oracle, appropriateness of use and monitoring for misuse.	1	20
12	Barham Park Accounts	Independent certification of accounts	2	5
		Children and Young People		
13	Fostering – integration and improved outcomes	Review of the risks to achieving objectives with regard to fostering services	3	15
14	Demand For Services	To review risks and controls to manage growing demand and services' ability to manage effectively – growth in LAC, Care Leavers, SEND demand and complexity of presenting issues children and young people's mental health and wellbeing.	1	35
15	Early Help	Review to provide assurance over the process and controls in Early Help.	2	10
16	School Audits	Audits of 10 schools and one follow up, scope includes financial management, governance, procurement, HR and asset management.	All	110

	Audit	Audit Description and indicative scope	Quarter	Days
Community Wellbeing				
17	ASC Budget Monitoring	Review of risks and controls around monitoring of budgets, approvals process, the collaboration with Finance and demand management.	2	15
18	NAIL Project	Project management review to include demand management, benefits realisation and monitoring of budgets and savings.	2	15
19	Sexual Health Services	A review of the process and controls to include the strategy, implementation of new pathways and mitigations, financial management and forecasting. To include move back from Covid to post Covid.	2	15
20	Housing CRM Project	Project Management Review	3	15
21	Rent Setting	• Policies and guidance • Compliance with legislation • Affordability and demand • Financial viability	3	15
22	Homecare	Advisory audit work on structure, risks and controls of revised service. Audit will advise Project Board.	1	15
Regeneration and Environment				
23	Buildings Compliance Oversight	To provide assurance over the risks and controls including • Compliance with regulatory standards • Compliance standards for community schools • Monitoring and reporting through the School Building Compliance Survey. • Performance indicators development and reporting • Compliance Oversight Framework	3	15
24	Parking Debt Recovery	To provide assurance on risks and controls in respect of debt recovery.	3	15
25	Property Development	To provide assurance over process and controls including • Project management • Tendering • Contract management • Resource management	3	15
26	Highways Investment Plan	Review to focus on lessons learnt and benefits realisation.	2	10
27	Local Services Project (Public Realm Contract) (with Finance)	• Procurement exercise • Model review • Appraisal of options	1	15
28	Property Valuations	To provide assurance over process and risks associated with property valuations.	4	15

	Audit	Audit Description and indicative scope	Quarter	Days
Assistant Chief Executive				
29	Members Enquiries	• Recording, monitoring and reporting • Outcomes and analysis • Further actions taken Cross Cutting across Council.	4	15
30	Climate Change/ Sustainability	Review of risks identified, mitigations and delivery of strategy. • Communication • Roles and responsibilities • Monitoring and reporting	3	15
Human Resources and Legal				
31	Gifts and Hospitality	Review to include: • Policies and procedures • Record-keeping systems • Communication and training • Management information, reporting and publication	1	5
32	Workforce Planning/ Succession Planning	To provide assurance over the risks associated with workforce planning and succession planning.	4	15
Others				
33	Troubled Families	To provide regular assurance over the accuracy of troubled families submissions.	All	20
34	FWH/I4B	To be agreed – (budgeted separately from main plan).	tbc	50
35	Follow Up Reviews	Follow Up of actions agreed in audits from 2019/20 Audit Plan.	All	100
			TOTAL	**875**

Available resource = 1060 days (four auditors @190 p.a.) plus c300 PWC contracted days)

Contingency available = 185 days

Appendix B: Annual Counter Fraud Plan 2021/22

Objective

To ensure the resources of the Counter Fraud team are effectively targeted to achieve the aims of the council's anti-fraud policies.

Background

The work of the Investigations team is split between reactive and proactive activity. Reactive work largely consists of referrals to the team from the Internal, Housing or External fraud types. Proactive activity is generated from within the service in response to a range of fraud risks and can incorporate any of the reactive fraud types.

All referrals are risk assessed so that resources can be targeted efficiently. The overall counter fraud resource allocation for 2021/22 is as follows:

- **Housing*** (including related proactive work) = 50% (minimum), 570 days;
- **Internal/ Whistleblowing**** = 15%, 170 days;
- **External***** = 15%,170 days, and
- **Proactive****** (including NFI, fraud awareness, raising team profile and any developing additional anti-fraud initiatives) = 20%, 225 days.

***Housing** remains a key fraud risk area and includes: unlawful subletting; non-residency; successions / false assignments; housing/homeless applications, and Right to Buy. Proactive work will include our existing involvement with 'Gas Forced Entries', succession applications and Right To Buy applications for council tenancies, which has been demonstrated to be a good source of fraud detection and higher referral quality.

By Q3 the team is planning to recruit two Trainee Counter Fraud Officers on a two year fixed term/ secondment basis to assist with tenancy fraud and other lower level external type investigations, intelligence and proactive activity. The new recruits will enrol onto the new Counter Fraud Apprenticeship, which will provide access to national membership of the Government Counter Fraud Profession at practitioner level.

** **Internal / Whistleblowing** is difficult to predict and quantify due to its nature. A high priority, or more complex, case can quickly take up resource. The fraud type can affects any area of the Council and will often take priority. It is possible that, during 2021/22, the time spent in this area will be higher than 15% especially with related plans for raising fraud awareness and team profile.

*** **External** will include Blue Badge, Council Tax, Business Rates and other application-based fraud types. The capacity to manage this area of fraud has historically been affected by the higher priority fraud types above. The team will be developing additional anti-fraud initiatives including other enhanced data-matching tools to prevent and detect fraud.

**** **Proactive** (including NFI, fraud awareness and developing additional anti-fraud initiatives). The counter fraud plan will be predominantly made up of proactive activity based on known and intelligence led key fraud risk areas, fraud awareness/publicity plans, corporate risk register and Internal Audit delivery.

Fraud Awareness Plan

The objective is to raise awareness of the risk of fraud amongst officers, residents and members to help ensure that Brent's assets are adequately protected.

This Counter Fraud team promote the anti-fraud policies amongst all stakeholders to increase awareness, generate better quality referrals and raise the team's profile.

Engagement is already underway which includes workshops with service areas and updating the content of our intranet and internet pages. The plan will be reviewed each quarter and amended accordingly.

Activity	Description	2021/22 Qtr	Planned / Update
Policies	Update anti-fraud policies on intranet and internet pages including related content.	Q3	Previously undertaken 2019/20.
E-learning	New starter induction – review current e-learning mandatory course. Existing staff – consider introduction of an annual e-learning mandatory course.	Q1-Q3	There is an existing anti-fraud e-learning course for new starters, the content of which will be reviewed and refreshed. Not started (as above). Plan to implement by end Q2.
Fraud Risk Awareness Workshops	Deliver fraud awareness sessions / workshops across council service areas, schools and other stakeholders.	Q1-Q4	A programme of workshops and awareness sessions delivered by the Counter Fraud team started in 2018/19. This has covered main service areas, members and schools. We will continue to deliver sessions to key service areas and stakeholders.
Yammer	Increased presence on Yammer. Publish appropriate investigation outcomes. Publicise fraud alerts / guidance. Online workshops / group chats and advice on anti-fraud related matters.	Q1-Q4	Counter Fraud activity, guidance, alerts, and key case outcomes are published regularly. Yammer will continue to be used to deliver key messages.
Technology	Consider new technologies to prevent / detect fraud.	Q1 Q1 Q1 Q1-Q2	INTEC IDIS (internal and credit reference data matching). GBG Connexus – Visualise system (identity checker) – under review. GBG ID Scan - Scannet (ID authentication). Four machines to be installed. Cifas NFD / IFD (anti-fraud databases). The NFD system was

		Q1-Q2	introduced in 2019/20. IFD is the internal anti-fraud system that is under review with a plan to introduce this year. NFI AppCheck (using internal data matching with credit reference data). Under review to consider implementation later this year for all council services to utilise as part of verification.
Advice	Provide an advisory service	Q1-Q4	Encourage teams to approach for advice and guidance in relation to fraud risks.. Take proactive approach to assist with new procedures / process in other service areas, to mitigate fraud risks.
Collaboration	Enhance closer / joint working.	Q1-Q4	Set up workshops with key partner teams such as HR, Legal, Housing, Parking and other regulatory / enforcement teams to improve joint working, closer collaboration, share best practice and increase understanding of fraud risks. Working closely with Brent Housing Management to prevent / detect tenancy fraud and representation on the Tackling Tenancy Fraud Board to develop its action plan. This includes providing fraud awareness workshop for staff, developing processes, access to anti-fraud systems and increasing relevant skill sets within BHM.
Publicity	Public awareness	Q1-Q4	Review media campaign to communicate Brent’s approach to fraud and means of reporting suspected fraud where appropriate.

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Brent	**Audit and Standards Advisory Committee** 31st March 2021
	Report from the Director of Legal HR Audit and Investigations

Departmental Risk Management

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
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. Purpose of Report

1.1. This report provides the Committee with an outline of the management of risk at Departmental level.

2. Recommendations

2.1. The Committee note the content of the report.

3. Background

3.1 The Audit and Standards Advisory Committee (ASAC) at its meeting, in December 2020, raised a query regarding the governance of departmental risk registers and suggested that this be reported to a later meeting of the Committee.

4. Risk Management Framework

4.1 The Council's Risk Management Policy and Strategy sets out the general framework for the identification, assessment and management of risk across the organisation. It clearly sets out the roles and responsibilities of key stakeholders within that framework.

4.2 Risk management should be incorporated into: corporate, directorate, service and financial planning; strategic policy decision making; performance and project management; health and safety, and other relevant activities.

4.3 Key elements of the Council's Risk Management Policy and Strategy are:

- risk management is a key element of the Council's governance framework;
- statutory responsibilities exist within the Accounts and Audit Regulations;
- all Members and Officers have responsibility and a role to play in managing risk, and
- effective management of risk will ensure that the organisations objectives, and resulting outcomes, are achieved.

5. Corporate Risk Register

5.1 The Corporate Risk Register (CRR) is a document which records the risks that are considered by senior management to be of high impact and likelihood of materialising and which may have an adverse effect on the achievement of corporate objectives.

5.2 The content is provided via a 'bottom-up' provision of risks from services and departments which are deemed to require consideration at the higher level. Additionally, risks are input directly from Council Management Team (CMT).

5.3 The CRR is discussed and approved at CMT meetings and ASAC periodically. This allows comparative consideration of risk issues across department as well as monitoring of the effectiveness of mitigation strategies to address identified risks.

5.4 Continual development of risk registers facilitates opportunities to reduce duplication between departments in identifying and managing overlapping risks whilst providing opportunities for shared learning across the Council.

6. Departmental Risk Management

6.1 The Risk Management Policy requires departments 'to ensure that operational and strategic risks within departments are effectively managed'.

6.2 Specific responsibilities for departments in order to deliver that objective are to:

- maintain departmental risk registers and update risks quarterly, or more frequently if required;
- escalate risks to CMT where risk has escalated to a sufficient level, and
- promote robust risk management within services and teams.

6.3 Departments have the latitude to decide how, and how often, they assess and consider their respective risk landscapes. Normally this is undertaken at department wide management meetings. Some departments maintain a single register while others maintain them at Operational Director level. There is no requirement for individual services within departments to maintain separate risk registers.

6.4 Periodically, the Internal Audit function will liaise with departments to obtain current versions of their risk register(s). Items within these registers that are represented as being of high impact, and more likely than not to materialise, are added to the CRR for onward discussion.

6.5 Internal Audit at this stage will comment on the completeness and reasonableness of the information provided. Internal Audit use this information to inform their annual and in-year audit planning processes. This helps to ensure that audit resource is effectively targeted at providing assurance on the highest risk areas.

7. Financial Implications

The report is for noting and there are no direct financial implications

8. Legal Implications

The report is for noting and there are no direct legal implications

9. Equality Implications

None

10. Consultation with Ward Members and Stakeholders

None

Report sign off: **Debra Norman, Director of Legal HR Audit and Investigations**

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London Borough of Brent audit plan

Year ending 31 March 2021

London Borough of Brent

March 2021

Contents

Your key Grant Thornton team members are:

Paul Dossett
Key Audit Partner
T 020 7728 3180
E paul.dossett@uk.gt.com

Sophia Brown
Senior Manager
T 020 7728 3179
E sophia.y.brown@uk.gt.com

Reshma Ravikumar
In-Charge Auditor
T 020 7728 3073
E reshma.ravikumar@uk.gt.com

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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 Council 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.

Key matters

Factors	Our response
Impact of Covid-19 pandemic The outbreak of the Covid-19 coronavirus pandemic had a significant impact on the Council's normal operations. Throughout the pandemic the Council has kept critical services going. At the start of the pandemic the Council led the way by supplying PPE to care homes, leading to the West London Alliance PPE system, which in turn led to the London-Wide PPE system. The Council has delivered food parcels to those in need, accommodated homeless people and rough sleepers – subsequently rehousing over a third of those accommodated, set up a Residents' Support Fund worth £2.6m deal with financial hardship created by Covid-19, and made welfare calls to vulnerable people. During the first peak the Council immediately built additional mortuary capacity when Northwick Park Hospital declared an emergency, to ensure that every person was treated with dignity in death. The UK's first hyperlocal testing centre in Harlesden was established by the Council, and it has assisted with testing programmes and vaccine administration by helping with site preparation and logistics, and in communications and engagement with local communities and faith-based groups to encourage uptake of the vaccine. Since the start of the pandemic, the Council has been on the front line in distributing grants to businesses in Brent to help them offset the impacts of Covid-19. Grants have been made available through a number of Government schemes, such as the business rates grants launched in spring 2020, and the Local Restrictions Support Scheme which was introduced with the tier system in late autumn 2020. The Council has also delivered the 2020/21 business rates holidays promised by the government. In the midst of the pandemic the Council was named 'Council of the Year' 2020, at the prestigious Local Government Chronicle Awards. The award recognised the Council for embracing its communities in a celebration of diversity, and for demonstrating a level of excellence and innovation that takes its work well beyond basic service provision. The Council is now considering how to take forward the benefits from remote working necessitated by the pandemic. This includes further use of flexible working, effective use of office space and reviewing service delivery models to ensure that residents and local communities continue to receive cost effective, efficient quality services.	We will consider your arrangements for managing the impact of the Covid-19 pandemic as part of our Value for Money work.
Regeneration Like much of London, Brent has gone through a period of rapid growth which is expected to continue. There are pressing needs for more genuinely affordable homes, modern workspace and jobs along with community facilities and other infrastructure to support a growing population, as well as to tackle deprivation and inequality. For the second year running, GLA data shows that Brent has more affordable homes under construction than anywhere else in London. In February the Council granted planning permission for three major development projects which will deliver more than 1,000 new homes. The applications include a revised plan for the redevelopment of Northfield Industrial Estate (set to deliver 300 extra new homes on top of the original 3,000 new homes, 35% of which will be affordable and for 25% of the site's workforce to be Brent residents), the redevelopment of Abbey Manufacturing Estate (providing 684 homes, 35% of which will be affordable), and a mixed-use scheme that will include 239 build-to-rent apartments (21% of which will be affordable).	We will consider your arrangements for service transformation and cultural change as part of our Value for Money work.

Key matters

Factors	Our response
Brent's Local Plan seeks to achieve good growth by addressing the sometimes competing requirements of: planning for increased population associated with London's continuing success; community needs for additional affordable homes, jobs and inward investment whilst protecting and enhancing valued character and open spaces; and pressures on infrastructure such as schools, doctors' surgeries and transport. It seeks to address the opportunities and challenges facing the Borough, its communities and people. The Council has submitted its response to the Inspectors' actions which resulted from the Hearing sessions completed in October 2020. In addition, the Council has considered the implications of the Secretary of States letter to the Mayor of London on 10 December 2020, and how it impacts upon the soundness of the Brent Local Plan, and has provided response to the Inspectors. Despite the current uncertain circumstances brought on by the public health pandemic it will be vital to plan proactively towards a recovery, particularly for the local economy.	
Finances The Council's financial position over the coming years will be increasingly challenging. For Brent, the impact of Covid-19 is predicted to add £37.1m of costs and income losses to services in 2020/21, of which £34.2m relates to the General Fund, £2.7m relates to the Housing Revenue Account, and £0.2m relates to the Dedicated Schools Grant (DSG). In the short term the government is providing financial support to meet some of these pressures. The current known allocation from central government to the Council remains at £31.3m (£6.2m drawn down in 2019/20 and £25.1m to be utilised in 2020/21) and the Council also expects to receive around £3.7m as part of the government's scheme to reimburse a proportion of local authorities' loss in non-commercial fees and charges due to the pandemic. The 2020/21 forecast position as at Quarter 3 shows a net overspend of £8m for the year, which can be attributed to: Covid-19 net pressures (£3.4m); General Fund (£0.6m); and DSG (£4m). The impact of the pandemic continues to be a key driver for the overspend along with DSG-funded activity. The future of local authority funding remains uncertain as new Local Government funding arrangements that were meant to be in place by April 2020 have been delayed until at least 2022. The Council, through scenario planning, has placed budget shortfall over the next three years to be between £5m to £20m, and for budgeting purposed have adopted a 'central case' value of £13m on which to base its Medium Term Financial Strategy and deliver a balanced budget for 2021/22 to 2022/23. For 2021/22 the Council is proposing a balanced budget which includes assumed savings of £10m across directorates together with a Council Tax increase of 4.99 per cent, including the 3 per cent increase in respect of the adult social care precept.	We will consider your arrangements for managing and reporting your financial resources and assessing your financial resilience as part of our Value for Money work.

Key matters

Factors

Accounting and auditing developments

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM) There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness;
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach; and
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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.

Although the implementation of IFRS 16 has been delayed, audited bodies still need to include disclosures in their 2020/21 statements to comply with the requirements of IAS 8 . As a minimum, we would expect the Council to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, the accounts should state this.

In the prior year the Council's valuer reported a material uncertainty regarding the valuations of properties due to the Covid-19 pandemic. In addition, there was a material uncertainty in relation to the valuation of the pooled property funds which impacted both the Council's and Pension Funds position. We will monitor the position for the 31 March 2021 valuations.

Our response

- Members of the finance team attended our annual final accounts workshop during February, hosted by our highly experienced public sector assurance team as they help you prepare for your 2021 financial statements audit by highlighting potential risk areas and providing you with practical advice.
- We will continue to provide you with sector updates via our progress reports to Audit and Standards Committee.
- We will liaise with the Council's valuer and Pension Fund managers to clarify any potential material uncertainties in 2020/21.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the London Borough of Brent ('the Council') 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 agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the London Borough of Brent. *We draw* your attention to both of these documents.

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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:

- Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Standards Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Council 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 Council is fulfilling these responsibilities.

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

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of First Wave Housing, I4B Holdings Limited, LGA Digital, and Barham Park Trust.

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 control
- Valuation of land and buildings
- Valuation of net pension fund liability
- Fraud in expenditure recognition

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 £16.176m (PY £16.7m) for the group and £16.1m (PY £16.6m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. 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 £0.8m (PY £0.8m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following areas of focus for our value for money assessment.

- The Council's arrangements in response to the Covid-19 pandemic. Reviewing financial governance arrangements in place over Covid-related spend and how the Council is capitalising on the benefits from different models of service delivery and ways of working brought about by the pandemic.
- The Council's arrangements for setting the Medium Term Financial Strategy and achieving financial sustainability. Reviewing execution of the Council's capital programme in conjunction with the Council's post-Covid estates strategy.
- The Council's arrangements for working with its key partners and subsidiaries to deliver services efficiently, and governance arrangements in place.

Introduction and headlines cont.

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Audit logistics

Our planning visit took place in March and our final visit will take place in July to early September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £227,184 (PY: £211,834) for the Council, subject to the Council delivering a good set of financial statements and working papers.

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..

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
London Borough of Brent	Yes		See pages 9 to 11	Full scope audit performed by Grant Thornton UK LLP
First Wave Housing	No		None	Analytical review performed by Grant Thornton UK LLP
I4B Holdings Ltd	No		None	Analytical review performed by Grant Thornton UK LLP
LGA Digital Services	No		None	Analytical review performed by Grant Thornton UK LLP
Barham Park Trust	No		None	Analytical review performed by Grant Thornton UK LLP

Audit scope

- Audit of the financial information of the component using component materiality
- Analytical procedures at group level

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
The revenue cycle includes fraudulent transactions (rebutted)	Council	Under ISA (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. Having considered the risk factors set out in ISA240 and nature of the revenue streams at the London Borough of Brent, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the London Borough of Brent, mean that all forms of fraud are seen as unacceptable. We do not consider this to be a significant risk for the London Borough of Brent.	
Fraud in expenditure recognition	Council	As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures. Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.	We will: • Inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period. • Inspect a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; compare size and nature of accruals at year to the prior year to help ensure completeness. • Investigate manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	Group and Council	Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the Group and Council, which was one of the most significant assessed risks of material misstatement.	We will: • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Valuation of land and buildings	Council	The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1,608m) and the sensitivity of the estimate to changes in key assumptions.
		
		Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2021 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.
		
		We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.
			We will:
			• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.
			• Evaluate the competence, capabilities and objectivity of the valuation expert.
			• Discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out.
			• Engage our own valuer expert, Gerald Eve, to provide commentary on:
			    ◦ the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and
			    ◦ the valuation methodology and approach, resulting assumptions adopted and any other relevant points.
			• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
			• Test revaluations made during the year to see if they have been input correctly to the Council's asset register.
			• Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	Council	The pension fund net liability, as reflected in the Council's balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£660m) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We will: • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the 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.

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 and Standards 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 Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, including council dwellings
- Depreciation
- Fair value estimates
- Valuation of defined benefit net pension fund liabilities
- Year end provisions
- Income and expenditure accruals
- Credit loss and impairment allowances
- PFI liabilities

The Council's Information systems

In respect of the Council'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 Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. 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; and
- There are adequate controls in place at the Council (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 uncertainly is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have requested that management provides detail as to how the Council addresses estimation uncertainty, and to share its responses with TCWG for consideration. We would appreciate a prompt response to these enquires 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

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- 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;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

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 (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page18). We will also need to identify whether any material uncertainties in respect of going concern have been reported for the Council's subsidiaries. If such a situation arises, we will consider our audit response for the group.

Progress against prior year audit recommendations

We identified the following issues in our 2019/20 audit of the group's financial statements, which resulted in 6 recommendations being reported in our 2019/20 Audit Findings Report. We are pleased to report that management is implementing all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	IFRS 16 implementation has been delayed by one year In our review of the Council's accounting policies we identified that the disclosure in relation to IFRS 16 is appropriate.	IFRS 16 is expected to defer until 2022/23. The Council will continue to include the disclosure on IFRS16 in the accounting policies.
2	Aged Collection Fund debtors and creditors In our testing of the Council's Collection Fund debtors and creditors we have identified items over 6 years old with little prospect of clearing that should be considered for write off.	Aged Collection Fund debtors and creditors are being reviewed and where appropriate write offs are being actioned. The Council is on track to writing off all aged Collection Fund debtors and creditors that are unlikely to be cleared.
3	Creditors – purchase order accruals Our testing of PO accruals identified 4/12 items that should have been cleared or cancelled.	Purchase order accruals have been written off. The Council is currently in the process of preparing for re-accrual of the written off accruals where necessary. The Council expects this to be completed for the year end accounts.
4	Unallocated income In total there is £2.8m of unallocated income in the 2019/20 Accounts.	Unallocated income is being closely reviewed. A virtual team has been set up, each member of the team have been assigned to review a specific service's unallocated income. The Council's senior managers are having regular updates to monitor the position of the unallocated income to ensure that the majority of unallocated income are identified.
5	Housing Benefit expenditure The Council is unable to fully reconcile non-HRA expenditure charged to the CIES and the non-HRA expenditure recorded in the Northgate system. Non-HRA expenditure recorded in Northgate is £3.6m higher than that recorded in the general ledger.	The service and IT are aware of the reports that are required to reconcile expenditure recorded in Oracle and Northgate. The Council is expecting no issue with reconciling Oracle and Northgate.
6	Oracle security and access controls Control weaknesses were identified in the security and access of the Council's Oracle system.	IT have tightened control and provided update to auditors. Some issues will need to be addressed in Oracle Cloud.

Materiality

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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

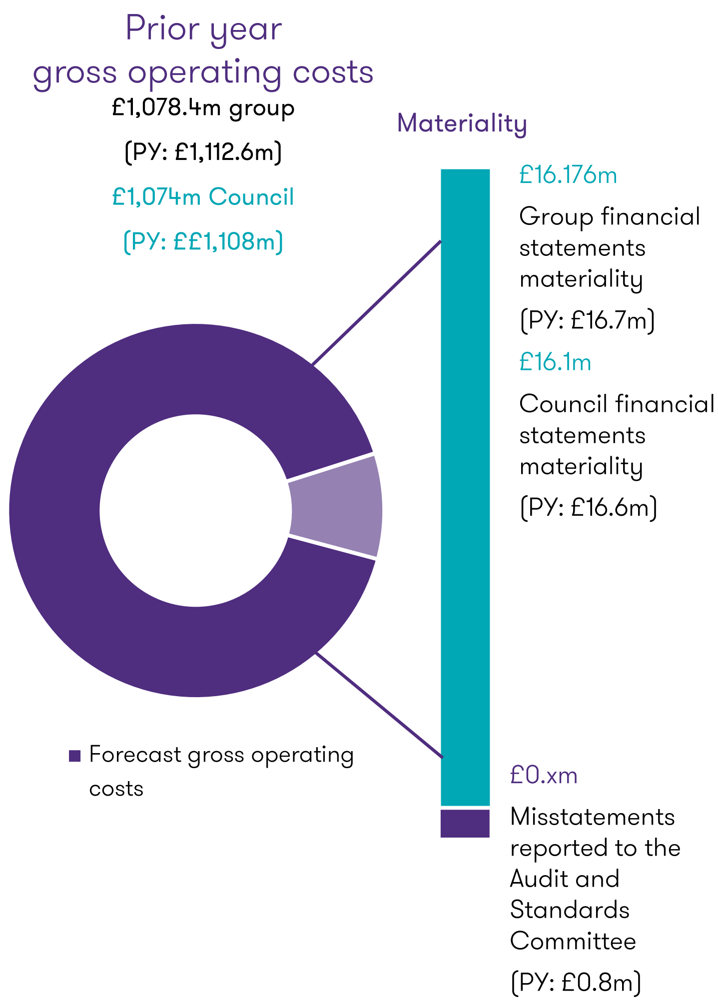
We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £16.178m (PY £16.7m) for the group and £16.1m (PY £16.6m) for the Council, which equates to 1.5% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.8m for senior officer remuneration and related parties.

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 and Standards 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 and Standards 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 group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than 0.8m (PY £0.8m).

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 and Standards Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary qualified/unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out alongside.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. Whilst our planning assessment did not identify significant weaknesses in arrangements at this stage, we have highlighted further key areas of focus, set out in the first table below. We many need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Key areas of focus

The local government operating environment has been significantly impacted by the pandemic and the future funding regime remains uncertain. This lack of certainty will impact on the Council's ability for long term planning. Our Value for Money work will primarily focus on the aspects listed below, but may increase in scope as further work is performed:

- The Council's arrangements in response to the Covid-19 pandemic. Reviewing financial governance arrangements in place over Covid-related spend and how the Council is capitalising on the benefits from different models of service delivery and ways of working brought about by the pandemic.
- The Council's arrangements for setting the Medium Term Financial Strategy and achieving financial sustainability. Reviewing execution of the Council's capital programme in conjunction with the Council's post-Covid estates strategy.
- The Council's arrangements for working with its key partners and subsidiaries to deliver services efficiently, and governance arrangements in place.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team

Planning and risk assessment

Audit & Standards Committee March 2021 – Audit Plan

Audit & Standards Committee May 2021 – Progress Report

Year end audit July-September 2021

Audit & Standards Committee September 2021 – Audit Findings Report/Draft Auditor's Annual Report

Audit opinion

Audit & Standards Committee December 2021 – Final Auditor's Annual Report

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Paul Dossett, Key Audit Partner

Paul is the Engagement Lead, for the Council and Pension Fund, leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior officers.

Sophia Brown, Senior Manager

Sophia is the Engagement Manager responsible for the overall management of the Council's audit; consideration of VFM work, quality assurance of audit work and outputs.

Reshma Ravikumar, Audit Incharge

Reshma will lead the audit team and is the day-to-day contact for the audit. She will monitor the deliverables, manage the audit query log with your Finance Team and highlight any significant issues and adjustments to senior management in a timely manner.

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; and
- respond promptly and adequately to audit queries.

Audit fees

In 2017, PSAA awarded a contract of audit for the London Borough of Brent to begin with effect from 2018/19. The fee agreed in the contract was £153,684. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISAs which are relevant for the 2020/21 audit.

As referred to on page 18, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £227,184. This is in line with increases we are proposing at all our local audits.

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. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been discussed with the Director of Finance. As part of its response to the Redmond Review in December 2020, MHCLG committed an extra £15m to support the delivery of local audit in 2020/21. We understand that the Council will receive a grant to support 2020/21 audit fees in the next few weeks.

	Actual Fee 2018/19	**Actual Fee 2019/20**	**Proposed fee 2020/21**
London Borough of Brent Audit	£153,684	*£211,184	£227,184
London Borough of Brent Pension Fund Audit	£16,170	*£28,750	£33,000
Audit of First Wave Housing	£25,000	£27,500	£TBC
Audit of I4B Ltd	£27,000	£29,500	£TBC
Total audit fees (excluding VAT)	**£221,854**	***£296,934**	**£TBC**

*Incorporates elements of fee variation with PSAA for approval

Assumptions

In setting the above fees, we have assumed that the Council 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; and
- 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	£153,684
Ongoing increases to scale fee first identified in 2019/20	
Raising the bar/regulatory factors	£10,000
Enhanced audit procedures for Property, Plant and Equipment	£9,500
Enhanced audit procedures for Pensions	£4,000
Group accounts	£4,000
New accounting standards	£3,000
Covid-19 impact (one-off cost for 2019/20)	£27,650
Audit fee 2019/20	**£211,834**
New issues for 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£26,000
Increased audit requirements of revised ISAs	£17,000
Proposed increase to agreed 2019/20 fee	£43,000
Total audit fees (excluding VAT)	**£227,184**

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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 enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

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Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Capital receipts grant	4,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £227,184 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension grant	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £227,184 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Subsidy	25,000 plus per diem rate for additional work required	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £25,000 in comparison to the total fee for the audit of £227,184 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Independence and non-audit services cont.

Service	Fees £	Threats	Safeguards
Audit related			
I4B Holdings Ltd Audit	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is not significant in comparison to the total fee for the audit of £227,184 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
First Wave Housing Ltd Audit	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is not significant in comparison to the total fee for the audit of £227,184 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Objection to the 2020/21 accounts	TBC	None identified	

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

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 od 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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London Borough of Brent and Pension Fund Audit Progress Report and Sector Update

Year ending 31 March 2021

31 March 2021

Contents

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 Authority 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.

Introduction

Your key Grant Thornton team members are:

Paul Dossett
Key Audit Partner
T 020 7728 3180
E paul.dossett@uk.gt.com

Sophia Brown
Senior Manager
T 020 7728 3179
E sophia.y.brown@uk.gt.com

Waqas Hussain
Manager (for Pension Fund)
T 020 7865 2794
E waqas.hussain@uk.gt.com

Reshma Ravikumar
In-Charge Auditor
T 020 7728 3073
E reshma.ravikumar@uk.gt.com

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This paper provides the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Key Audit Partner or Engagement Managers.

Progress at March 2021

Financial Statements Audit

We undertook our planning work for the 2020/21 audit in March 2021, and we expect to begin our work on your draft financial statements in July.

Our planning fieldwork includes:

- Updated review of the Authority's control environment;
- Updated understanding of financial systems;
- Review of Internal Audit reports on core financial systems;
- Understanding how the Authority makes material estimates for the financial statements; and
- Early work on emerging accounting issues.

The results of our work to date are included in this report.

In March we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements. The audit plan for the Pension Fund will follow in April.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts following the September Audit and Standards Committee.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and will make more impact. Before beginning work, we will discuss with you:

- Timing
- Resourcing
- Fees

Please see page 8 for further details.

Progress at March 2021 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DwP). The certification work for the 2019/20 claim is substantially complete and on track for submission in line with the extended deadline. It should be noted that, in response to the impact of the Covid-19 pandemic, the DwP agreed an extension to the submission deadline to 31 March.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The certification work for the 2019/20 return is complete and was submitted to MHCLG in line with the end of January deadline.

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Our certification work for 2020/21 returns has not yet begun.

Meetings

We met with Finance Officers in March as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in January to discuss the Authority's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (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.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit and Standards Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
Audit Plan - Authority We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	March 2021	Complete
Audit Plan – Pension Fund We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Pension Fund's 2020/21 financial statements.	April 2021	Not yet due
Audit Findings Report – Authority and Pension Fund The Audit Findings Report will be reported to the September Audit and Standards Committee.	September 2021	Not yet due
Auditors Report – Authority and Pension Fund This is the opinion on your financial statements.	September 2021	Not yet due
Auditor's Annual Report This Report communicates the key issues arising from our Value for Money work.	September 2021	Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

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Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- Grant Thornton Publications
- Insights from local government sector specialists
- Reports of interest
- Accounting and regulatory updates

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local government

The new approach to Value for Money

The nature of value for money work

Section 20 and 21 of the Local Audit and Accountability Act 2014 (the Act), require auditors to be satisfied that the body “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. The auditor’s work on VFM arrangements is undertaken in accordance with the Code and its supporting statutory guidance. The Comptroller and Auditor General has determined through the 2020 Code and guidance that the key output from local audit work in respect of VFM arrangements is the commentary as reported in the Auditor’s Annual Report. It is therefore not a VFM arrangements ‘conclusion’ or an ‘opinion’ in the same sense as the opinion on the financial statements themselves. The Act and the Code require auditors to consider whether the body has put in place ‘proper arrangements’ for securing VFM. The arrangements that fall within the scope of ‘proper arrangements’ are set out in 'AGN 03 Auditors' work on VFM arrangements', which is issued by the NAO. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services, including how the body:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Governance

How the body ensures that it makes informed decisions and properly manages its risks, including how the body:

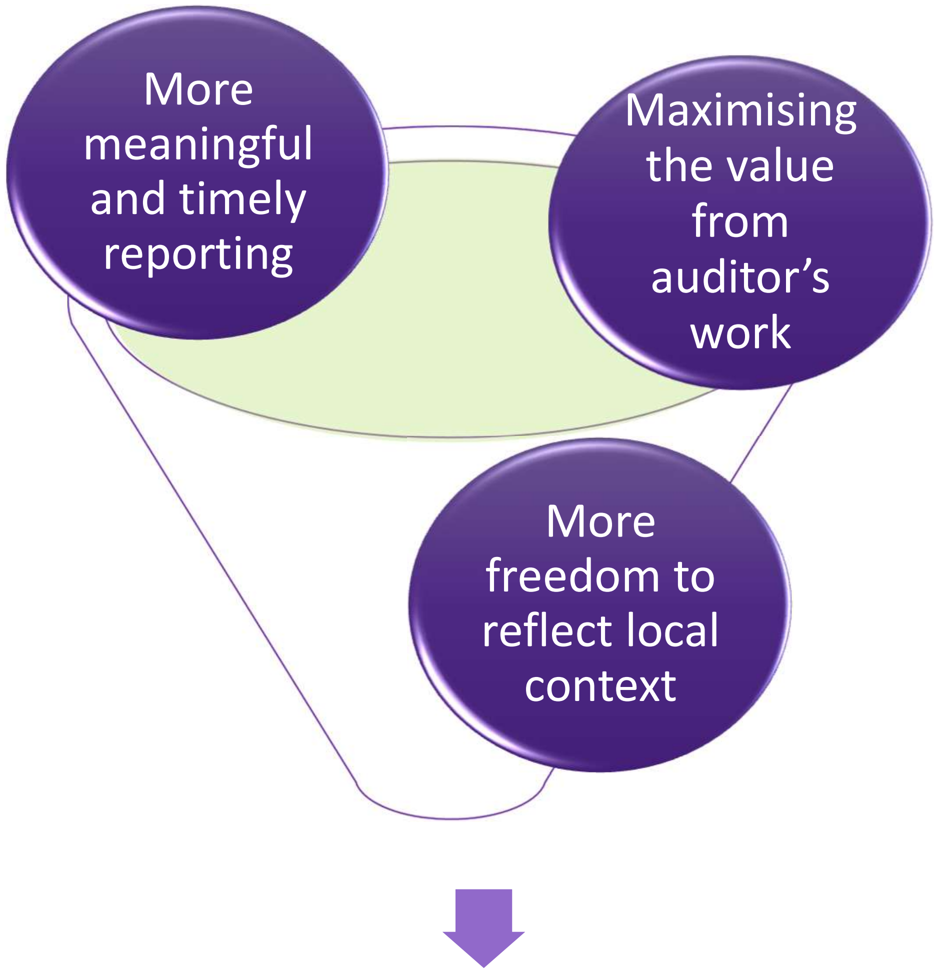
- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The new approach to Value for Money

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the body evaluates the services it provides to assess performance and identify areas for improvement;
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.



VFM arrangements commentary and recommendations

The new approach to Value for Money

The table below details what will be reported in the Auditor's Annual Report:

Section of report	Content
Commentary on arrangements	An explanation of the VFM work that has been undertaken during the year, including the risk assessment and any further risk-based work. It will also highlight any significant weaknesses that have been identified and brought to the body's attention. The commentary will allow auditors to better reflect local context and draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself.
Recommendations	Where an auditor concludes that there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.
Progress in implementing recommendations	Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily.
Use of additional powers	Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this should be reported in the auditor's annual report.
Opinion on the financial statements	The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements.

The table below details the three types of recommendations that auditors can make. Auditors may make recommendations at any time during the year.

Type of recommendation	Definition
Statutory recommendation	Where auditors make written recommendations to the body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. A recommendation of this type requires the body to discuss and respond publicly to the report.
Key recommendation	Where auditors identify significant weaknesses in a body's arrangements for securing value for money, they have to make recommendations setting out the actions that the body should take to address them
Improvement recommendation	Where auditors do not identify a significant weakness in the body's arrangements, but still wish to make recommendations about how the body's arrangements can be improved

Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

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.

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, Governance and Standards 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?

Additional information that will be required for our March 2021 audits

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 in all areas summarised above for all material accounting estimates that are included in the financial statements.

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

- Valuations of land and buildings
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

The Council's Information systems

In respect of the Council'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 Council uses management experts in deriving some of its more complex estimates, e.g. investments and asset valuations. 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 Council (and where applicable its management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) 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.

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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 disclose:
- 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 uncertainly is unresolved.

How can you help

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance at an Audit, Governance and Standards Committee meeting. For our 2020/21 audit we will be making additional enquires on your accounting estimates in a similar way (which will cover the areas highlighted above).

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

Lessons from recent Public Interest Reports – Grant Thornton

2020 will be remembered as a tumultuous year in local government. The Covid-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

1 Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.

2 Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

3 Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.

4 Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The Public Interest Reports (PIRs) at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) were the first issued since 2016. All three are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. There are some quotes that seem particularly apposite for all councils to consider. Local authorities have a variety of different governance models which range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other councils, it is less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

1 The context of local government in a Covid-19 world

2 Governance, scrutiny, and culture

3 Council leadership

Lessons from Public Interest Reports (grantthornton.co.uk)

Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is the authority acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:


GrantThornton

Accounting for grants in local government financial statements

Local government finance in the pandemic – National Audit Office

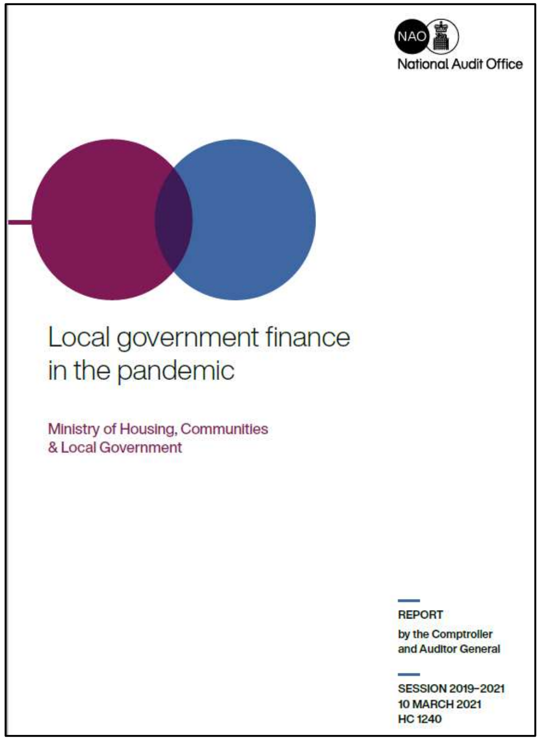
The National Audit Office (NAO) report, published in March, notes "The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities' finances, which in many cases were already under strain going into the pandemic."

The NAO report examines if the Department's approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes "Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department's successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves."

The NAO report found that "the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m."



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office (NAO) Report]

2019/20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report "Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies' audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.

This year's timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance."

The news article can be found here:

News release: 2019/20 audited accounts – PSAA

CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

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Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."

CIPFA The Chartered Institute of Public Finance & Accountancy

The Financial Resilience tool is available on the CIPFA website below:

https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0

Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, "Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

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The NAO also state that the guide "provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting."

However, The NAO observe "Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation's strategy and the risks it faces, how much taxpayers' money has been spent and on what, and what has been achieved as a result."

Further, the NAO note "The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation's strategy, plans and operational and financial performance."

The full report can be obtained from the NAO website:

https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/

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Value for Money update for Audit & Standards Advisory Committee on new arrangements 2020/21

How has the NAO changed value for money work ?

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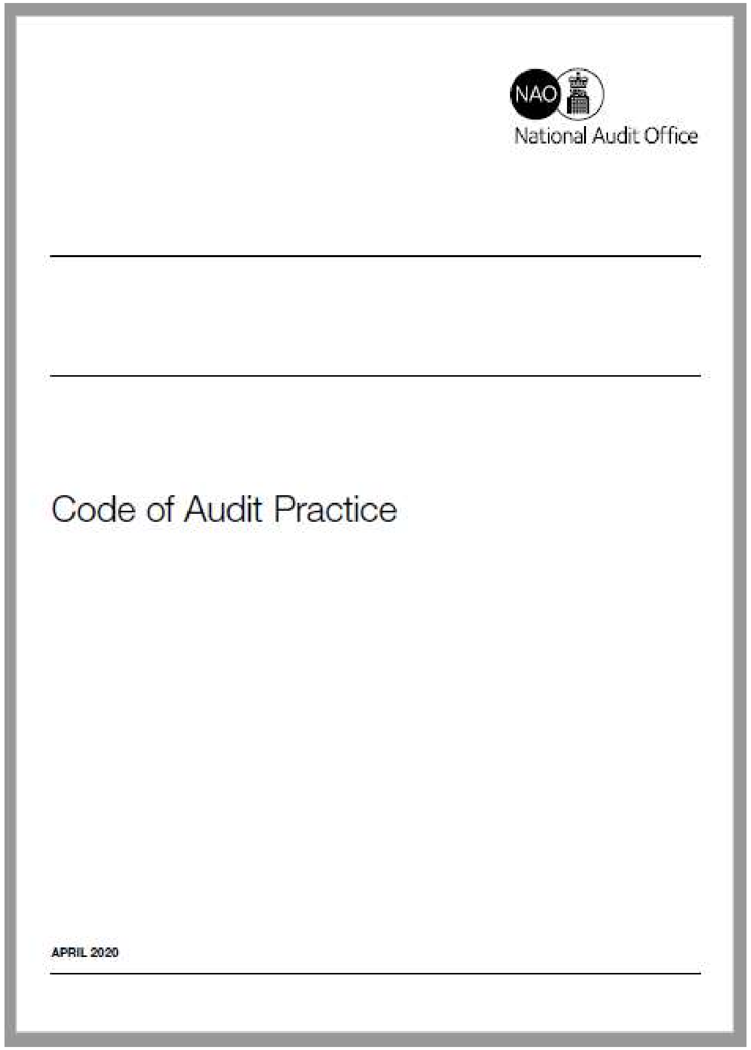
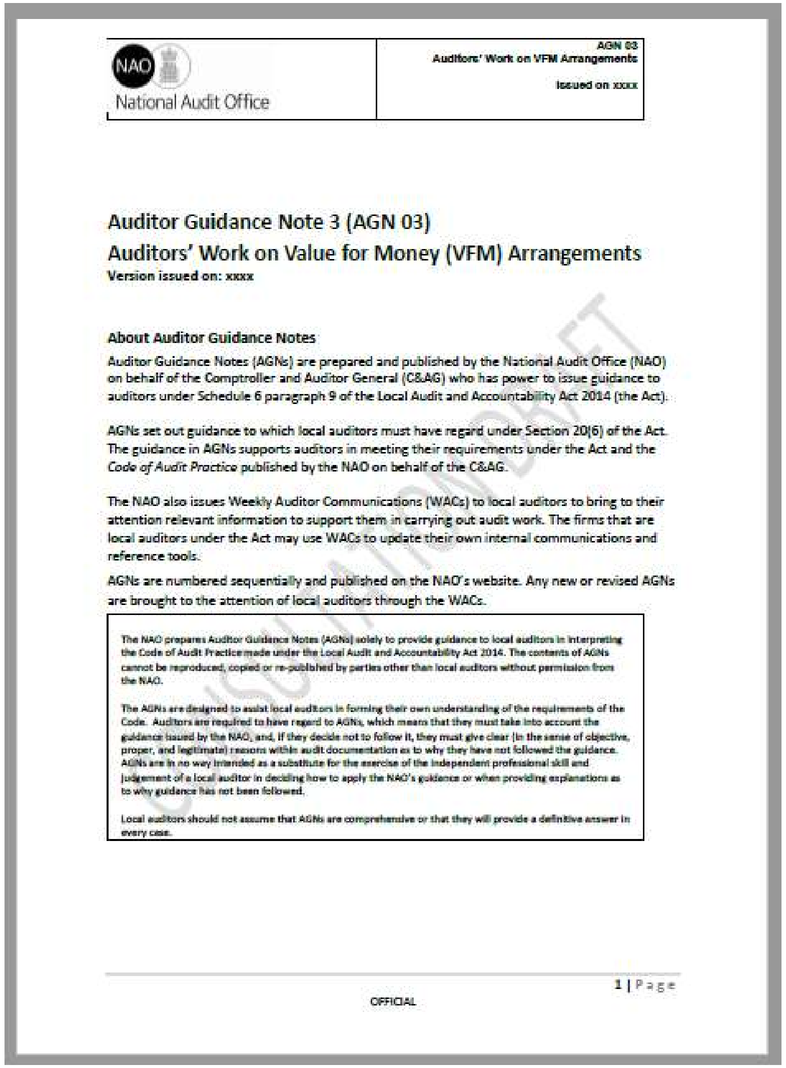


National Audit Office

Code of Audit Practice

APRIL 2020



National Audit Office

AGN 03
Auditors' Work on VFM Arrangements

Issued on xxxx

Auditor Guidance Note 3 (AGN 03)
Auditors' Work on Value for Money (VFM) Arrangements

Version issued on: xxxx

About Auditor Guidance Notes

Auditor Guidance Notes (AGNs) are prepared and published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the Local Audit and Accountability Act 2014 (the Act).

AGNs set out guidance to which local auditors must have regard under Section 20(6) of the Act. The guidance in AGNs supports auditors in meeting their requirements under the Act and the *Code of Audit Practice* published by the NAO on behalf of the C&AG.

The NAO also issues Weekly Auditor Communications (WACs) to local auditors to bring to their attention relevant information to support them in carrying out audit work. The firms that are local auditors under the Act may use WACs to update their own internal communications and reference tools.

AGNs are numbered sequentially and published on the NAO's website. Any new or revised AGNs are brought to the attention of local auditors through the WACs.

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>
> Local auditors should not assume that AGNs are comprehensive or that they will provide a definitive answer in every case.

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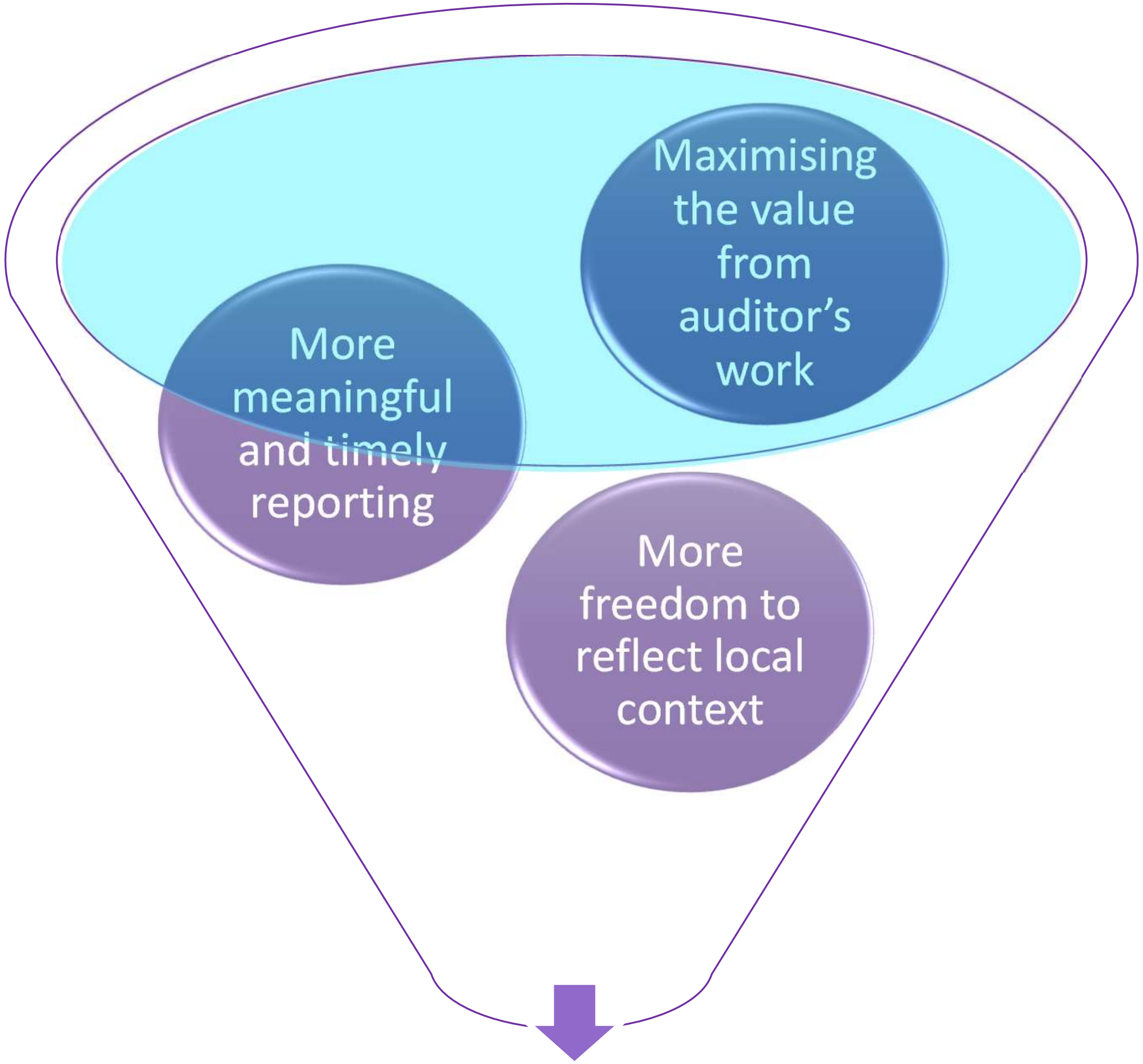
OFFICIAL

How is value for money work changing ?



VFM arrangements commentary and recommendations

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The three criteria have changed…

~~Informed decision making~~	Governance
~~Sustainable resource deployment~~	Financial sustainability
~~Working with partners and other third parties~~	Improving economy, efficiency and effectiveness

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A key change in reporting…

~~Annual Audit Letter~~

Auditor’s Annual Report

So what is in an Auditor’s Annual Report ?

Commentary on arrangements

Recommendations

Progress in implementing recommendations

Use of additional powers

Opinion on the financial statements

Recommendations

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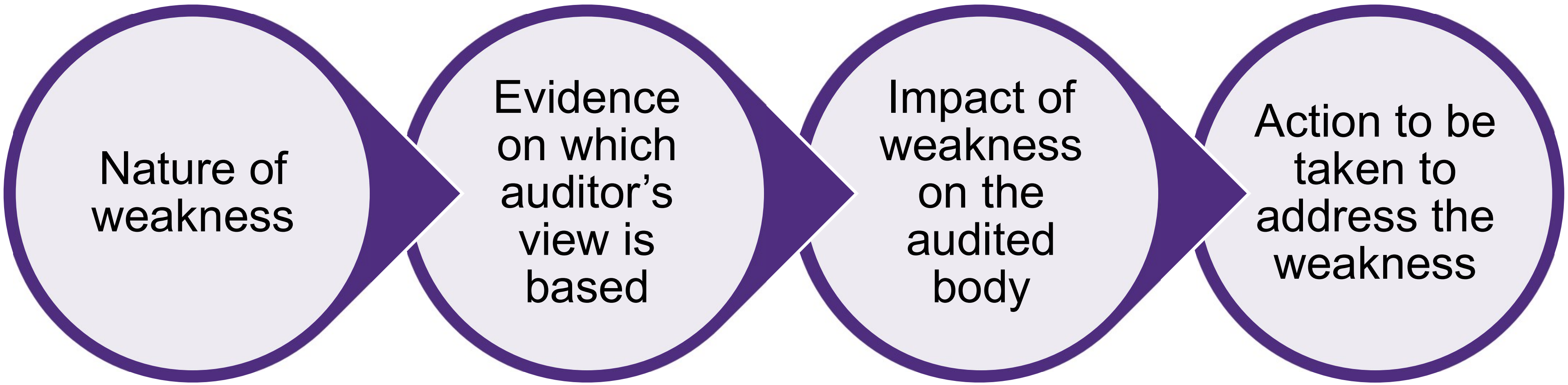

Practical implications

The new approach is more complex, more involved and will lead to better quality working achieving more impact. Before beginning work, we will discuss with you:

- Timing

- Resourcing

A&SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA

Topic / Date	05-May-20	26-May-20	29-Jul-20	08-Sep-20	08-Dec-20	11-Feb-21	31-Mar-21	11-May-21
Internal Audit & Investigations								
Internal Audit Annual Report, including Annual Head of Audit Opinion			X					
Review Internal Audit Charter								
Internal Audit and Counter Fraud Progress Reports		X			X			X
Draft Internal Audit and Investigations Annual Plan							X	
External Audit								
External Audit progress report		X	X	X	X		X	X
External Audit plan		X					X	
External Audit - Certification of grants and returns								X
Statement of Accounts & External Auditor's Report				X				
External Auditor Annual Audit Letter		X			X			
Financial Reporting								
Treasury Management Mid-term Report					X			
Treasury Management Strategy & Annual Investment 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			X
Review of the use of RIPA Powers		X						X
Receive and agree the Annual Governance Statement	X*							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	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	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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