



Brent

MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Monday 26 July 2021 at 6.00 pm

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

Independent Advisor: Vineeta Manchanda

Independent Co-Opted Members: Mark Mills & Javed Ansari (in remote attendance)

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

1. Apologies for absence and clarification of alternate members

Apologies were received from Councillor Donnelly Jackson, Councillor Johnson and Carolyn Downs (Chief Executive – with Peter Gadsdon attending as her representative).

2. Declarations of Interest

David Ewart declared a personal interest as a member of CIPFA in relation to Agenda Item 9: CIPFA Financial Management Code). No other interests were declared at the meeting.

3. Deputations (if any)

None.

4. Minutes of the previous meeting

It was **RESOLVED** that the minutes of the previous meeting held on 11 May 2021 be approved.

5. Matters arising (if any)

None.

6. Standards Report (including quarterly update on Gifts & Hospitality and mandatory training)

Bianca Robinson, Senior Constitutional and Governance Lawyer, introduced a report updating the Committee on gifts and hospitality registered by Members over the last quarter, and the attendance record for Members in relation to mandatory training sessions. In considering the report the Committee noted:

- There has been no gifts or hospitality registered by members in the first quarter (April – June) 2021;

- All members had undertaken and completed their mandatory training with the exception of Data Protection/GDPR with details provided on those still to complete the relevant e-learning modules. The Committee were advised these members had been contacted with a reminder and offer of support;
- The summary also included within the report of a recent Freedom of Information Act case seeking details on the views provide by two Independent Persons in relation to a complaint about the conduct of a councillor. Bianca Robinson provided an update on the case, which had first been reported to the Committee in 2018. The original decision not to release the information had been subject to a legal challenge and subsequent appeal which members were advised had also now been dismissed by a First Tier Tribunal with the original decision upheld. Details on the case and judgement were set out in section 3.7 – 3.14 of the report. Members noted that as part of the judgement the FTT had concluded that the public interests of transparency, openness and accountability were outweighed in the case by the significant public interest in avoiding the risk of inhibition of the IPs candid advice and in maintaining the effectiveness of the Council's complaint process which may otherwise have been undermined.

The Committee was then invited to raise questions on the report, which are summarised below:

- In considering the outcome of the case involving the FOI appeal members were keen to explore whether there were any learning points which could be incorporated into future learning & development. The Committee was advised that relevant learning points were already being reviewed for inclusion as part of future training programmes.
- In terms of member learning and development opportunities the committee asked if consideration could be given to ensuring that training was provided in an accessible format for all members, which it was agreed would be fed back for consideration as part of the development of the member learning and training programme.

As no further issues were raised it was **RESOLVED** to note the contents of the report.

7. **Draft Statement of Accounts 2020-21**

Sin Yee Tang, Senior Finance Analyst, introduced a report presenting the Council's draft 2020/21 Statement of Accounts.

As part of the presentation of the draft accounts the Committee noted:

- The details included within the financial performance section of the accounts on the General Fund pressures related to the impact of Covid-19. The additional cost totalled £42m from the pandemic, which comprised £29.1m of additional expenditure and £12.9m in loss of income to services;
- The increase (as detailed within the Income & Expenditure Statement) in expenditure on services during 2019/20. This included a significant increase in costs relating to the HRA and reduction in income as a result of the pandemic;

- The figures relating to account adjustments such as depreciation and repairs and gains and losses on property equipment;
- The way in which emergency grant funding from central Government and Covid related underspends had been used to offset the costs and pressures identified in relation to the pandemic, as detailed within Table 1 of the accounts;
- The increase in net pension liability, which had been based on principal assumptions used by the Council's independent qualified actuaries as part of their last valuation of the Fund, and as detailed in Notes 37 & 38 accompanying the draft accounts;
- The movement in reserves identified during 2020/21 as detailed and broken down within the core statements included within the draft accounts.

The Committee was then invited to raise questions on the report, which are summarised below:

- A query was raised regarding the way in which the Covid and non Covid related overspend and underspends had been reflected within the Financial performance section of the accounts, with clarification provided that these had included (as was normal practice) planned expenditure on day to day services.
- In response to a question around outstanding levels of debt, members were advised that the narrative statement had reflected a reduction in performance related to debt collection but it was anticipated that as Covid restrictions were lifted collection rates and performance would return to normal levels.
- Members also queried the reasons for the reported increase in housing benefits overpayments, to which Ravinder Jassar (Deputy Director of Finance) responded he would be able to provide more details outside of the meeting.
- In response to a query raised in relation to the details provided on senior employees remuneration under the Employee Benefits section of the accounts, confirmation was provided that the Chief Executive was not part of the Local Government Pension Scheme which was the reason no employer pension contribution had been recorded. Whilst recognising the significant issues and pressures identified in relation to the Dedicated Schools Grant (DSG) members noted the intention to consider these in more detail as part of the later report on the Corporate Risk Register.

In concluding consideration of the draft statement of accounts, Paul Dossett (Grant Thornton – External Auditor) advised that at this stage there were no updates from the external auditors' perspective. Work had started on the external audit review of the accounts with the outcome due to be reported back at the next meeting.

The Chair, supported by Councillor McLennan (as Deputy Leader and Lead Member for Resources) ended the discussion by thanking the finance team for their efforts in preparing and submitting the draft accounts within the required timescale, given the other significant challenges arising from the pandemic and advised members that if they should have any further queries these could be submitted outside of the meeting for response.

As a result of the discussion at the meeting it was **RESOLVED** to note the contents of the report.

8. **Annual Governance Statement 2020/21**

Michael Bradley, Head of Audit and Investigations, introduced a report setting out the draft Annual Governance Statement (AGS) for 2020/21 as required by the Accounts and Audit Regulations 2015.

In presenting the report the Committee noted:

- The seven core governance principles introduced by CIPFA upon which the review of governance arrangements and production of the AGS had been based, as detailed in section 3.4 of the report;
- That whilst no significant control breaches had been identified during 2020/21, the statement had included additional details on the significant governance issues which had been addressed in supporting management of the Covid 19 pandemic;
- The importance of the AGS in outlining the Council's framework of control in relation to its Governance arrangements and in terms of managing risk, the effectiveness of which was subject to ongoing review.

The Committee was then invited to raise questions on the report, which are summarised below:

- The need was identified to ensure the Statement was amended to update the number of times the Committee had met during the 2020/21 Municipal Year

Members were advised that they were being invited to comment on the draft AGS in advance of its formal consideration and approval by the Audit and Standards Committee.

As no further issues were highlighted, the Advisory Committee **RESOLVED** to endorse, subject to the comments above, the draft 2020/21 Annual Governance Statement for reference on to the Audit and Standards Committee for formal approval.

9. **CIPFA Financial Management Code**

Ravinder Jassar, Head of Finance, introduced the report informing the Committee of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code and outlining how the Council was working towards full compliance with the code in 2021/22.

In considering the report, the Committee noted:

- That it would be up to each individual authority to determine whether it met the standards included within the code with evidence needing to be provided that a review of financial management arrangements against the standards had been undertaken in order to ensure compliance;
- Officers were currently undertaking a full self-assessment against the standards within the code which would be used to demonstrate the Council's direction of travel in terms of achieving full compliance in 2021/22;

The Committee was then invited to raise questions on the report, which are summarised below:

- It was noted that work undertaken to date had not identified any significant areas of concern in terms of the standards within the code on which the Council was already largely compliant. Members were advised that further detail on the self-assessment, work plan and progress would be presented to the committee at future meetings.
- Paul Dossett also outlined the links between the code and work the External Auditors were undertaking in relation to their Value for Money review of the Council.

As no further issues were raised it was **RESOLVED**:

- To note the Requirements of the CIPFA Financial Management Code; and
- (2) To note the work plan with regards to full compliance with the code in 2021/22.

10. **Emergency Preparedness Update**

Peter Gadsdon, Strategic Director of Customer and Digital Access, introduced a report outlining the progress made since the previous update for the Committee in 2020 around the Council's emergency preparedness arrangements. The report also detailed the type and number of incidents in Brent along with the initiatives and programmes of work under way to enhance the Council's resilience and response arrangements.

In considering the report the Committee noted:

- The introduction of the new Resilience Standards for London (RSL), on which Brent had been subject to a positive LGA peer challenge. This had identified Brent as demonstrating leading practice in a number of areas, with an Action Plan developed in response.
- The positive nature of work and engagement undertaken during the pandemic with mutual aid groups across the borough, which the Council would be looking to build on and develop moving forward.
- The summary of incidents (not including the pandemic) which had involved an emergency planning response since January 2020, as detailed within section 3.4 of the report. Members noted that the majority of cases had involved fires, with the responses provided having often required the utilisation of emergency shelter and accommodation.

The Committee was then invited to raise questions on the report, which are summarised below:

- In view of recent incidents involving flooding across parts of London, members highlighted their support for the development of London wide contingency plan to deal with flooding emergencies. In response to a query relating to

communication, members were advised that the Council's website was regularly updated to notify residents on issues around flooding in the borough

As no further issues were raised the Chair thanked officers for the report and efforts in responding to the incidents identified and it was **RESOLVED** to note the contents of the report.

11. Corporate Risk Register

Michael Bradley, Head of Audit and Investigations, introduced the report providing an update on the Council's Risk Management position and Corporate Risk Register.

In considering the report the Committee noted:

- Departmental management teams had carried out a review and reassessment of their risk registers, which had been designed to ensure that operational and strategic risks identified within departments were effectively managed;
- The main changes to the corporate risk register, which contained those risks considered to be of the highest potential impact and likelihood of materialising and that would have an adverse effect on the achievement of corporate objectives. The key changes had involved a reassessment and update of risks and actions identified taking account of the ongoing pandemic and removal of the financial pressures arising from Covid 19 pandemic risks, which had now been incorporated within other risks. In response to a query members were advised that these risks were being actively managed with further detail on these changes to be provided as part of the next Corporate Risk Register update;
- The new risks which had been identified in relation to the delay in re-procurement of key public realm services and an increase in the Dedicated School Grant High Needs Block Deficit.

The Committee was then invited to raise questions on the report, which are summarised below:

- Details were sought on how regularly departmental risk registers would be subject to review and update. In response members were advised that whilst there was no specific requirement in terms of the frequency of reviews departments were encouraged to ensure their departmental registers were kept under ongoing review and updated as required.
- In response to a query regarding the impact of Brexit on the number of school pupils and places and associated levels of funding, members were advised that a response would need to be sought outside of the meeting.
- Further details were also sought on the level of risk associated with the increased threat identified in relation to cyber attacks on the Council's IT systems. In response, members were advised of the heightened security risk level as a result of a number of attacks on other Councils, including the significant issues experienced at Hackney. Within Brent this had led to the implementation of a number of additional controls, with a specific focus on IT Backup solutions. In support of further mitigating measures the Council had also approved over £10m worth of investment in its IT Shared Service infrastructure roadmap. As a result of the issues identified members advised

- they would be keen for a further update to be provided as part of the next Corporate Risk Register update on the specific action being taken in response to the cyber security threats identified. Members were also advised of the planned inclusion of cyber security within the programme of internal audit activity.
- Given the potential impact of any changes in the levels of inflation and interest rates a query was raised regarding the way Council finances were subject to stress testing around these issues. In response members were advised how interest rates were tracked and kept under constant review as part of the Council's Treasury Management Strategy.
 - In response to a query regarding how strategic action being taken in response to the climate emergency was reflected within the Corporate Risk Register members were advised how this activity was being co-ordinated through the Council's Climate Emergency Strategy. Members noted that the strategy had not yet been included on the audit programme but as activity was progressed it was anticipated any risks would be picked up as part of the relevant departmental risk registers.
 - Members also sought further detail on the new risk identified in relation to the impact of the increase in deficit on the High Needs Block within the Dedicated Schools Grant (DSG). It was noted that the current deficit on the DSG totalled £10.5m as a result of the ongoing pressure on the High Needs Block. Whilst the Government had provided additional funding this had not been sufficient to address the growth in demand and as a result Brent had developed its own management plan and set of mitigating actions to address the pressure being experienced and in an effort to start recovering the cumulative deficit. A summary of these actions had been detailed with the Corporate Risk Register and whilst noting that this was a national rather than Brent specific issue members noted it was likely the cumulative deficit would increase prior to any reduction being achieved as a result of the measures identified. In support of the concerns identified Paul Dossett (Grant Thornton) highlighted the challenging nature of the issue and risks needing to be addressed from an audit and budgetary perspective, which he pointed out would also require a co-ordinated policy and funding approach from the Department for Education. Councillor McLennan in highlighting the work already undertaken by the Council in seeking to address and mitigate the issues and risks identified reemphasised that this remained a challenge for all local authorities and was one of the key issues which the London Local Authority finance leads were also seeking to address with the DfE.
 - As a final query, details were sought on the way in which the issues previously raised around the Brent Pension Fund liabilities had been reflected as a risk. In response, members were advised that any issues or risks identified in relation to the Pension Fund would be included as part of the Finance Departmental Risk Register.

The Chair thanked officers for the report and information provided at the meeting and it was **RESOLVED** to note the current Corporate Risk Register and associated heat map, as detailed within Appendix 1 of the report.

12. External Audit's Enquires of Management

Paul Dossett (Grant Thornton – External Auditor) supported by Sin Yee Tang (Senior Finance Analyst) introduced the report which advised the Committee of a

change introduced by the Financial Reporting Council (FRC) in the expectations for how local authorities were audited.

In considering the report the Committee noted:

- The background to the changes introduced by the FRC, which had resulted in the Committee being asked to review the responses provided by the Council and Pension Fund to the Enquiries of Management as a means of informing the external audit risk assessment for Brent under the audit standards;
- The importance of the report in contributing towards the effective two-way communication between the council's external auditors and the London Borough of Brent's Audit and Standards Committee, as 'those charged with governance';
- Key areas on which the auditors were required to obtain an understanding of management process and oversight include the general enquiries of management, fraud, law and regulations, related parties and accounting estimates.

The following issues were raised in relation to the update provided and responses provided for review by the Committee:

- Confirmation was provided in relation to the general enquiries of management provided on the Pension Fund that this was in a position to meet its liabilities based on the latest actuarial and investment assessment undertaken in 2019. Clarification was also provided in relation to the level of employer contributions to the Pension Fund and impact in relation to the potential insourcing of Council services.
- In response to a follow up query on fluctuations in the employer contribution rates on the Pension Fund, members were advised of the way in which these were designed to reflect the valuation undertaken by the Fund actuaries. The deficit in terms of the Pension Fund liability presented in the draft statement of accounts was a different issue to the valuation, which had been based on the last review undertaken in 2019 and with the next scheduled for 2021/22. Following the next review there would be a further assessment of employer contributions. It was, however, common for Pension Fund liabilities to fluctuate on an annual basis between valuations.
- Attention was drawn to the change in the health service organisational structure relating to North West London given the reference to Brent CCG and pooled social care costs within the response on significant transactions outside the normal course of business detailed as part of the general enquiries of management on the Council's accounts. Whilst noting the change in structure, Paul Dossett advised that the key focus would remain on the relationship and nature of the transaction identified between the individual Council and relevant health body.
- As a final comment details were sought on the issue identified regarding non compliance on the VAT treatment of election costs referred to within the section from the general management enquiries on law and regulations. In response members were advised that a detailed response would need to be provided on the issue outside of the meeting, although members were assured that the matter had been resolved with HMRC and a new process established to address the issue in relation to future VAT treatment.

As no further issues were raised members recognised the important role of the Audit & Standards Advisory Committee in terms of the assurance required on the response and it was **RESOLVED**, subject to the comments identified above to note and endorse:

- (1) the Brent Council Enquiries of Management as set out in Appendix 1 of the report; and
- (2) the Pension Fund Enquiries of Management as set out in Appendix 2 of the report.

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

Paul Dossett (Grant Thornton) presented the report, providing members with a summary of emerging national issues and developments that may be relevant to the local authority. In considering the report the following issues were noted:

- The progress being made on the Financial Statement audit on which a final opinion was due to be provided for the September meeting of the Committee. In terms of progress on the Financial Statement audit a number of technical issues had been identified in relation to the way grants received in relation to Covid were treated within the accounts.
- An update was provided on progress with the MRP audit with members also advised that the new Code of Audit Practice was now in force which required the Auditors Annual Report to include a commentary on the arrangements to secure value for money which covered the topics of financial sustainability, governance and economy efficiency and effectiveness. Whilst a more complex process, which also involved benchmarking and comparator analysis, work was progressing with an initial commentary to be provided for the Committee in the Audit findings report in September.
- Details were also provided on the sector update which included an outline of data provide by the Ministry for Housing Communities and Local Government (MHCLG) on Local Authority Covid pressures; Government response to the Redmond Review; powers being provided in relation to house building; Public Accounts Committee report on Government oversight on the system of local government audit; consultation on 2023-24 public sector audit appointments and Grant Thornton's Annual Transparency Report.

Commenting on the updates, members queried whether the benchmarking due to be undertaken as part of the Value for Money commentary in the Annual Audit Report could be extended to include a more detailed analysis on the Council's performance, on which Paul Dossett advised further analysis was due to be undertaken.

The Chair thanked Paul Dossett for the update and it was **RESOLVED** to note the content of the report.

14. **Audit & Standards Advisory Committee Forward Plan**

RESOLVED to note the Committee's latest Forward Plan and date of the next meeting as Wednesday 22 September 2021.

15. **Any other urgent business**

The Chair ended the meeting by taking the opportunity to advise members that this would be Michael Bradley's (Head of Internal Audit) final meeting of the Audit and Standards Advisory Committee, prior to him leaving the Council. He was praised for the valued service and support provided to the Committee and in developing the Council's audit and investigations function. In thanking and commending his hard work members ended by wishing him well for the future.

The meeting closed at 7.20 pm

David Ewart
Chair