



# Audit and Standards Advisory Committee

**Monday 31 January 2022 at 6.00 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)

### Substitute Members

### Councillors:

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

### Councillors:

Afzal, S Choudhary, Colacicco, Gbajumo, Kabir and  
W Mitchell Murray  
  
Councillors:  
Colwill and Maurice

### Independent Members

Javed Ansari  
Mark Mills

### Independent Advisor

Vineeta Manchanda

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Tel: 020 8937 4219; Email: [Andrew.Phillips@brent.gov.uk](mailto:Andrew.Phillips@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 or 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.

Item	Page
<b>1 Apologies for absence and clarification of alternate members</b>	
<b>2 Declarations of Interest</b>	
Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.	
<b>3 Deputations (if any)</b>	
To hear any deputations received from members of the public in accordance with Standing Order 67.	
<b>4 Minutes of the previous meeting</b>	1-12
To approve the minutes of the previous meeting held on 7 December 2021 as a correct record.	
<b>5 Matters arising (if any)</b>	
To consider any matters arising from the minutes of the previous meeting.	
<b>Standards Items</b>	
None	
<b>Audit Items</b>	
<b>6 Internal Audit Progress Report</b>	13- 28
This report provides an update on progress against the Internal Audit Plan for the period October to December 2021.	
<b>7 Counter Fraud Progress Report</b>	29 – 36
The report sets out a summary of the counter fraud activity for 2021/22 to Q3.	

**8 External Audit Appointment for 2023/24 to 2028/29** 37 – 46

This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.

**9 External Audit Progress Report** 47 – 54

This paper provides the Audit and Standards Advisory Committee with a report on Grant Thornton’s progress in delivering their responsibilities as external auditors.

**10 Forward Plan and Agenda for the next meeting** 55 – 56

To consider and note the Committee’s Forward Plan.

**11 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 15 March 2022**



**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE**  
**Held in the Conference Hall, Brent Civic Centre on Tuesday 07 December 2021 at 6.00 pm.**

**PRESENT:** David Ewart (Chair), Councillor Lo (Vice-Chair) and Councillors Johnson, and Akram.

Independent Advisor: Vineeta Manchanda (in remote attendance)

**Also Present (in remote attendance):** Councillors Choudhary, Mitchell Murray & McLennan (Deputy Leader & Lead Member for Resources)

1. **Apologies for absence and clarification of alternate members**

Apologies were received from Councillors Donnelly Jackson, Long, Kansagra and Naheerathan along with Mark Mills & Javed Ansari (Independent Co-opted Member), Paul Dossett (Grant Thornton) and Carolyn Downs (Chief Executive).

It was noted that whilst Councillor Mitchell Murray was also present as a substitute for Councillor Long and Councillor Choudhary as a substitute for Councillor Donnelly Jackson, they would not be able to formally participate in any decisions taking during the meeting given they were both in remote attendance.

2. **Declarations of Interest**

David Ewart declared a personal interest in Agenda Item 10 (CIPFA Financial Management Code and Redman Review – Progress Report) as a member of CIPFA.

3. **Deputations (if any)**

None.

4. **Minutes of the previous meeting**

It was **RESOLVED** that the minutes of the previous meeting held on 22 September 2021 be approved.

5. **Matters arising (if any)**

David Ewart (as Chair) noted that Brent Council had been one of only 9% of local authorities to have submitted and had the audit of their accounts completed on time, with thanks recorded to all those involved for their efforts.

6. **Standards Report (including update on Gifts and Hospitality and member training)**

Debra Norman, Director of Legal, HR, Audit & Investigations, introduced a report updating 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. In considering the report the Committee noted:

- The summary of gifts and hospitality registered by members during August – October 2021 as set out within section 3.3 of the report.
- The update provided in relation to completion of the required mandatory training courses by councillors as detailed in section 3.6 of the report. It was noted that all mandatory training had been completed, with the exception of the 13 members still to complete their Data Protection/GDPR training. Members were advised that access to the training system had been unavailable for two to three weeks during October with one further member (Councillor Johnson) now having completed the training and support being sought from each political group to ensure the necessary training was completed.
- The progress being made (following comments raised by the Committee) in terms of providing the online training offer in more accessible formats as detailed in section 3.7 of the report.

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

- Concern was expressed regarding the length of time the training still to be completed by members had been outstanding with it clarified that officers had been actively involved in pursuing this with the relevant members and were also seeking the support of the political groups to assist.
- Given the length of time the training had been outstanding the Committee also requested that future updates included an outline of any changes during the previous quarter in the monitoring position with it confirmed that this information would be included in future reports.

As a result of the discussion at the meeting it was **RESOLVED** to note the contents of the report and additional monitoring information to be provided within future reports in relation to member training.

## **7. Review of the Constitutional Working Group**

Debra Norman (Director of Legal, HR, Audit & Investigations) introduced a report which she advised had been provided for the Committee in response to a recommendation from the Resources and Public Realm Scrutiny (RPR) Committee. The report provided a review of the current role and operation of the Constitutional Working Group (CWG) and highlighted steps taken already in response to the Scrutiny Committee recommendation.

In considering the report the Committee noted:

- The recommendation made by the RPR Scrutiny Committee at its meeting on the 14 September 21 recommending a review of the democratic oversight and transparency within the CWG. The role of CWG and outcome of the review undertaken as a result had been detailed within section 3 of the report, which

included an outline of the current CWG arrangements and the extent to which these already provided for democratic overview and transparency, as well as Member involvement. These arrangements included the referral of any significant changes to the Constitution supported by CWG to Full Council for consideration and approval enabling consideration by all members; the ability to refer proposed changes being considered to the Council's constitutional arrangements to the Audit & Standards Advisory Committee for detailed consideration prior to referral to Full Council and the involvement of cross party membership on CWG with the ability to engage with their respective political groups as necessary.

- The benchmarking undertaken with other authorities carried out as part of the review, as detailed within section 3.8 of the report. This had identified a range of practices in terms of the arrangements other local authorities had in place to consider constitutional matters. In addition to the CWG, Brent had in place a range of similar mechanisms.
- That the effectiveness of the current arrangements had also been considered by CWG in November 2021. Whilst the existing mechanisms were felt to work well one potential improvement identified had been the inviting of other members e.g. the chairs of relevant committees, when a matter was being considered which affected their remit or operation. Aside from that, CWG had felt it would be more appropriate to undertake any further review following the Local Elections in May 2022. This would enable the new Administration to consider any further changes felt necessary.
- The additional actions undertaken in response to the scrutiny recommendation, alongside the review which included use of the Members Bulletin to seek further views on potential improvements and development of a list detailing previous changes made to the Constitution.

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

- Members were supportive of a further review being undertaken following the local elections in May 2022 with a subsequent report also being provided for the Committee.
- Whilst recognising the role of CWG and democratic accountability already built in to any review of constitutional matters, members were keen to ensure that the consideration of these issues was subject to the necessary oversight in order to ensure that the Council's Governance arrangements remained as open and transparent as possible.
- The ability already available to members to liaise with members on CWG in order to highlight or discuss any constitutional matters which it was felt may benefit from consideration by CWG.

As no further issues were raised it was **RESOLVED** to note the contents of the report and agree to a further report being provided following the Local Government Elections in May 2022.

## 8. **Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal**

Debra Norman, Director of Legal, HR, Audit & Investigations, introduced a report updating the Audit and Standards Advisory Committee on a recent review of the financial and procedural rules governing the Mayor's Charity Appeal.

In presenting the report the Committee noted that the review had been undertaken as a part of a periodic process to ensure the Financial and Procedural Rules governing the Charity remained transparent and accurate. As a result of the current review no major changes had been identified with only minor modifications being recommended in order to reflect organisational changes in the titles of officers involved in the day to day management of the Charity. Having considered the report it was **RESOLVED** to

- (1) note the content of the report and the amendments proposed to the Financial and Procedural Rules governing the management of the Mayors Charity Appeal, as set out within Appendix 1 of the report.
- (2) Approve the proposed changes to the Financial and Procedural Rules for recommendation on to the Audit & Standards Committee for final confirmation.

## 9. **Cyber-Security Strategy implementation update**

Peter Gadsdon, Strategic Director, Customer and Digital Services, introduced a report requested at the previous meeting, regarding the actions that the Council were taking in relation to cyber security. Details on the progress in implementing the Brent and Shared Technology Service (STS) cyber security strategies had been set out in Appendix 1 of the report. In considering the report the Committee noted:

- The nature and background of the Shared Technology Service (STS) as a shared IT service providing services for the London Boroughs of Brent, Lewisham & Southwark, with Brent as the host borough.
- Within Brent, the Council had been one of the first to develop and agree a Cyber Security Strategy (BCSS). This had been in place since 2019 and had been designed to strengthen Brent's IT network and support delivery of the 2019-23 Digital Strategy. This had been supported by a cyber security work programme based around the key principles within the government backed "Cyber Essentials" scheme. The BCSS had been detailed within Appendix 2 of the report and was currently being refreshed to align with Brent's updated Digital Strategy 2022-26 and to ensure compliance with the latest security standards and Cyber Essentials certification. Additionally, the STS had also developed their own cyber security strategy (STSCSS) which had been provided within Appendix 3 of the report. This had been aligned with Brent's strategy with the recommendations having been embedded in all areas of new and emerging technologies which STS implemented for Brent and the other boroughs within the shared service.
- The difference in infrastructure and arrangements between the boroughs within the shared service and challenges created by the rapidly changing nature of technology and cyber threats, with the STS committed to a programme of investment in infrastructure and cyber security as outlined within their Technology Roadmap. Brent had invested £10m over 4 years to support delivery of the Roadmap alongside similar levels of investment by the other member boroughs.



- The risk of cyber attack had been included as a key risk on Brent's strategic risk register owned by the Managing Director of the STS. Details on the various mitigation measures undertaken to manage the risk had been detailed within section 3 of the report. Referring, as an example, to the high profile attack on Hackney Council's IT network in 2020 members were advised that the STS had implemented a cloud based corporate back-up solution by Rubrik to counter any similar types of ransomware attacks. This was supported by use of a third party Security Operations Centre to monitor unusual activity, disable and remove any detected threats along with a continual programme of activity to ensure that the versions of software and applications supported included the latest security updates.
- In terms of network safety, all iPads which were out of date had been switched off, as well as older models of iPhones. A caching process was noted as being in place.
- Whilst the measures identified had seen a reduction in cyber investigations over the last 12 months a self-assessment review of the organisations cyber security arrangements and demands on security functions managed by the STS and within the Council had been undertaken facilitated through an Internal Audit workshop. The findings from the workshop in terms of gaps and issues identified had been collated, shared and built into development of the strategy.

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

- Members were keen to explore any potential gaps in the strategy which had been identified as a result of the work facilitated by Internal Audit and the longer term work planned to develop the strategy and risks identified. In response members were advised that a majority of the gaps identified were process driven, either involving processes in place which needed improving or existing processes which needed documenting. In terms of technical recommendations, there were still some software and operating systems that needed updating which were subject to a continual update programme of work. In addition, in depth reviews and penetration tests were being carried out by an external specialists, as well as Public Service Network in order to assess resilience with guidance being monitored and followed from the National Cyber Security Centre. It was also noted that the STS had also established a cyber security team including a number of cyber-analysts who also conducted regular checks as part of the compliance submissions.
- A further query was raised in relation to the management of replacement/redundant hardware and any Bring Your Own Device (BYOD) policy as part of the cyber security strategy. In response members were advised of the controls in place in relation to asset and device management, which included a programme of replacement for end of life mobile devices and introduction of Multi Factor Authentication for all Office 365 access. In terms of use of own devices these would be controlled as they would only be able to connect to any Brent applications through a secure network connection. It was noted, however, that members currently accessed the network through a separate dedicated server with members being their own data controllers. This meant they were currently responsible for ensuring the devices they used were subject to the latest updates and would need to provide their devices to

STS to upload these. This process was, however, being changed to provide a secure part of the main server through which the necessary security patches and updates could be automatically uploaded to their devices. Once connected to Brent applications these connections would be via a secure network.

- In terms of progress on Cyber-Essentials certification it was noted that accreditation was planned for submission in early January 2022.
- Members welcomed the positive relationship established between STS and Internal Audit with it noted that a review of the Council's security controls developed to prevent and detect incidents given the increasing reliance on technology to support more flexible ways of working was also planned as part of the Internal Audit Plan to commence in Q4 2022.

As no further issues were raised the Chair thanked officers for their work in presenting the report and update for the Committee and it was **RESOLVED** to note the update provided and ongoing work to develop, implement and manage the Brent and STS cyber security strategies. .

#### 10. **CIPFA Financial Management Code and Redman Review- Progress Report**

Francis Austin, Financial Consultant, introduced a report updating the Committee on progress with implementation of the CIPFA Financial Management Code and the Redmond Review of Audit and Transparency in Local Authority Financial Reporting.

In considering the report the Committee noted:

- The background to introduction of the CIPFA Financial Management (FM) Code and Redman Review as set out within section 4 of the report. The Code had been designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability and included six core principles (within a Statement of Principles of Good Financial Management) to be used as benchmarks against which all financial management should be assessed. These principles had been translated into a series of Financial Management Standards (FMS), which the focus was now around implementing.
- That whilst compliance with the FM Code and FMS was a requirement, their implementation also presented a wider opportunity to focus on the delivery of other tangible benefits and improvements.
- The background to the Redman Review, as detailed within section 4.4 of the report which had been focussed on oversight of local audit, and the transparency of local authority financial reporting. This had included identifying the requirement for each Local Authority Audit Committee to include independent members, which was already the case in Brent. Recommendations had also included simplification of local authority accounts, including a service based outturn statement, which whilst accepted by CIPFA in principle had not yet been formally incorporated within the Code of Practice on Local Authority Accounting. Whilst further details were therefore awaited from CIPFA on the detailed requirements, it was confirmed that preparatory work aligning the review recommendations had already informed the wider project and work around implementation of the FM Code.

- The FM Code had also sought to consolidate existing codes of practice and guidance into a coherent model for effective financial management. This had been based around two main strands - a joined up long term financial planning process backed by good governance with implementation providing an opportunity to introduce further financial management arrangements aimed at driving value for money and providing assurance on long term financial planning and financial sustainability.
- Brent was required to have detailed plans in place to implement the FM Code by the end of the 2021/22 financial year with the report detailing current progress on the core workstreams (as set out within Appendix 1), the recommended approach and next steps in the process. The project was expected to move into delivery phase early in 2022 with a series of quick wins due to be delivered by the end of March 2022 and the remainder of the workstreams targeted to complete by December 2022.
- In terms of progress to date, Brent's position in relation to compliance was identified as mixed. Members were, however, assured that this did not signify anything was deficient but reflected the fact that the FM Code had combined existing requirements with new activities e.g. Financial Resilience Assessment. Where there were existing statutory or professional requirements Brent was therefore in full compliance, however, where CIPFA had introduced a new requirement this reflected the need for existing activities to be adapted in order to satisfy the new requirements within the Code.
- The significant focus and challenges in terms of the work required in developing the new processes and procedures to support the move towards introducing and embedding a longer term financial planning framework that could be focussed around the different financial planning activities already in place as well as on securing the necessary financial sustainability and risk assessments required under the Code.

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

- Having noted the progress to date in terms of delivery of the workstreams and overall project, members sought further details on any areas within the FM Code which Brent had not been identified as at least already partially meeting. In response the Committee was reminded that the Code included a number of new requirements, such as the need to produce a Financial Resilience Assessment and it was in these areas that work needed to be focussed in order to adjust existing activities to satisfy the Code. Details on the current levels of compliance had been set out within Graph 1 included as part of the report.
- The need identified that in order to ensure successful implementation of the Code this was undertaken on the basis of practicable and meaningful processes which could be easily understood.
- Details were sought on the main ways in which it was felt the Code would impact on the current role and operation of the Council's Finance function and team. In response members were advised that the main change would involve the introduction of a longer term financial planning framework, given the current challenges created by the more short term nature of Government Spending Reviews and Funding Settlements and the electoral cycle. The Council had already introduced a Medium Term Financial Strategy designed

to take a longer term view in relation to financial planning, however it was recognised that this move towards more longer term planning would also need to be accompanied by the necessary cultural change, which members expressed support for given the positive opportunities identified in terms of being able to plan more effectively for the future in way that was not only ambitious, but was also prudent, cost effective and sustainable.

- It was asked whether the Council were currently on target to meet the requirements of the FM Code, to which it was clarified that the Council were on track.

As no further issues were raised it was **RESOLVED** to note the report and progress being made in terms of implementation of the FM Code.

## 11. **Treasury Management Mid Year Report 2020/21**

Amanda Healy, Head of Finance, introduced a report updating Members on treasury activity for the first half of the financial year 2021-22.

In considering the report the Committee noted:

- The economic background on which the review had been based, as detailed within section 3 of the report with the Committee advised of the stabilisation in the financial markets over the summer, the bank rate remaining at 0.1% and inflation rising to 3.2%.
- The movement in standard rates at which local authorities could borrow from the Public Works Loan Board (PWLB) as detailed within section 3.13 of the report and change in lending arrangements, designed to ensure that assets were not being invested by Local Authorities primarily for yield.
- The update provided in relation to the Council's debt management position, as detailed within section 3.14 – 3.24 of the report. Members were advised that the Council had undertaken minimal borrowing through the first half of the year. The estimated borrowing requirement for the remainder of the financial year 2021/22, which took account of the Council's ongoing capital financing requirement, usable reserves, planned capital expenditure and minimum revenue provision, had been identified as £60m for the remainder of the year.
- The Council's main objective when borrowing which involved ensuring an appropriately low risk balance between securing low interest costs and achieving cost certainty. In terms of long term borrowing options, PWLB remained the main source given the relatively low current funding margins, however, forward funding options also continued to be explored, in order to secure low rates, with the Council continuing to evaluate and pursue alternative low cost solutions and opportunities as they arose.
- The update provided in relation to the Council's Treasury Investment Activity, as detailed in sections 3.25 – 3.34 of the report with most of the Council's funds currently being held in Money Market Funds.
- The risks and mitigations identified in relation to the Council's Treasury Management portfolio as detailed within section 3.35 and Appendix 1 of the report.
- The assurance provided that the Council had complied with the Treasury Management Indicators for 2021/22, as detailed within Appendix 1 of the report.

As no further issues were raised, the Chair thanked officers for the report and information provided at the meeting and it was **RESOLVED** to note the contents of the report for reference on to Cabinet and Council along with the fact that the Council were fully compliant with the Council's Treasury Management indicators.

## **12. Treasury Management Strategy 2022-23**

Amanda Healy, Head of Finance, introduced a report presenting the draft Treasury Management Strategy (TMS) for 2022/23 for consideration by the Committee.

In considering the report the Committee noted:

- The strategy was currently in draft format, and would be finalised for inclusion as part of the annual budget setting report due to be presented to Cabinet and Council in February 2022.
- The Strategy set out the framework for the Council's Treasury Management activity in 2022/23 and included an outline of the Council's borrowing strategy and sources of debt finance (including the Liability Benchmark); investment strategy (including types and prescribed limits); Treasury Management Indicators for 2022/23; alternative options & strategies along with an external and local context.

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

- Further detail was sought on the breakdown of Capital Financing Requirement which had been detailed within the strategy given the impact on the Council's borrowing requirement. In response members were advised that this would involve the need to undertake additional external borrowing over the forecast period which would be in line with capital expenditure plans. This included carrying out viability assessments for schemes which did not contain an identified funding source and borrowing undertaken in line with the strategy identified in the report for those schemes assessed as a strategic priority with no alternative source of funding. This would be aligned with the Council's general fund and the revenue budget to ensure that interest costs could be covered.
- Members request as to whether a net borrowing figure could be provided, which included a schedule for projects along with an outline of their cashflow and funding sources in order to assist in providing a high level and longer term overview. Officers advised that these details could be provided as part of any future monitoring updates.
- Having noted the relatively low risk nature of Brent's Treasury Management Policy with regards to the investment of surplus funds, details were sought on any benchmarking undertaken with other similar Local Authorities regarding their risk appetite. In response, members were advised of the need to recognise the way in which long term borrowing restricted the options to increase risk appetite. In terms of other authorities, it was noted that many displayed the same credit risk yield as Brent. Although potentially higher risk it was, however acknowledged that there were opportunities to explore higher yields, with choices to also be made around providing capital investment for outcomes such as housing, against using investment to make a return.

As no further issues were raised it was **RESOLVED** to note and endorse the Draft Treasury Management Strategy 2022/23 as set out within Appendix 1 of the report and request that the final report be circulated to Members on completion.

### 13. Internal Audit Charter

Darren Armstrong, Head of Internal Audit and Investigations, introduced a report setting out a revised Internal Audit Charter, for consideration and approval.

In considering the report the Committee noted:

- The requirement under the Public Sector Internal Audit Standards for the Council to define the purpose, authority and responsibility of its Internal Audit function within an Internal Audit Charter.
- The review process was undertaken every two years, with the last having been undertaken in 2019. The review process provided an opportunity to reflect updated standards and guidance as well as best practice, with the Charter aligned to the model template provided by the Institute of Internal Auditors (IIA). It was noted that the contents of the charter (as detailed within Appendix 1 of the report) had remained consistent with the previous version, whilst incorporating the 10 key headings suggested by the IIA.
- The key amendments proposed to the Charter following the review, as set out within section 3.3 of the report, included updating the mission statement of the Internal Audit Function; further defining mechanisms in place to maintain the independence and objectivity of the Internal Audit function; summarising the scope of internal audit activities and outlining the role and relationship of the internal audit function with the Council's risk management and counter fraud arrangements.
- The requirement within the Charter for a review of the Quality Assurance and Improvement Programme covering internal audit activity to be undertaken at least every five years. Whilst this was not technically due until 2023 in Brent, best practice recommended that such an external assessment be undertaken upon the appointment of a new Head of Internal Audit. Following the appointment of Darren Armstrong as the new Head of Internal Audit members were advised of the proposals therefore being developed to undertake the assessment ahead of schedule during the 2022/23 financial year.

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

- In response to a request for any initial observations regarding the internal audit function in Brent, the Head of Internal Audit and Investigations' highlighted what he felt to be the effective nature of the internal audit function, it's compliance with the Charter and a strong profile across the organisation, which included access to key stakeholders and officers.
- In terms of the current staffing position within the function, members were advised that there were currently no vacancies, although the challenging nature of the current employment market was highlighted in terms of the recruitment and retention of qualified internal audit staff. As a result the Council were

involved as part of cross council discussions, in seeking to develop further pathways into Internal Audit.

As no further issues the Chair thanked Darren Armstrong for the report and it was **RESOLVED** to approve the revised Internal Audit Charter, as set out in Appendix 1.

#### **14. External Audit Progress Report**

Omer Awais, Manager, Grant Thornton, introduced a report providing an update on the progress being made by Grant Thornton as the Council's auditors along with a wider sector update

In considering the report the Committee noted:

- That work on the Financial Statement audit and opinion and Value for Money audit had been completed as previously reported to the Committee. The Annual Audit Report was now scheduled to be presented to Full Council in February 2022.
- The progress on the certification of claims and returns, with the findings in relation to the Council's annual Housing Benefit claim due to be completed in January 22 and reported to the Committee in March 22. Work was also on track in relation to certification of the annual Teachers Pension return and pooling of Housing Capital receipts.
- The update provided in relation to progress on audit deliverables.
- The update provided in relation to the Financial Reporting Council (FRC) review of the work of local auditors, including Grant Thornton. In terms of the audits reviewed 67% had been graded as "good" and none identified as requiring significant improvement. Value for Money work was also identified as continuing to be delivered to a high standard and the FRC also having identified a number of good practices.
- The sector updates provided in relation to emerging national issues and developments identified as relevant to local authorities, including lessons learnt from recent Public Interest reports.

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

In response to the recent challenge from the Chair of the House of Commons Public Accounts Committee regarding the FRC report on local auditors an assurance was provided regarding the scope of the FRCs inspection across the sector and in particular Grant Thornton and with regard to the range of audits which had been reviewed in terms of the key findings and improvement recommendations identified as a result.

As no further issues were raised the Chair thanked Omar Awais for the update and it was **RESOLVED** to note the contents of the report.

#### **14. Forward Plan and Agenda**

It was **RESOLVED** to note the Committee's latest Forward Plan and date of the next meeting as Monday 31 January 2022.


15. **Any other urgent Business**

None.

The meeting closed at 7.20 pm

David Ewart  
Chair



	<b>Audit and Standards Advisory Committee</b> <b>31 January 2022</b>
	<b>Report from the Director of Legal HR Audit and Investigations</b>
<b>Internal Audit Progress Report for the period October to December 2021</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Four Appendix A: Completed Audits for the period October to December 2021 Appendix B: Audits Planned and in Progress Appendix C: Audits Deferred to 2022/23 Appendix D: Follow Up Reviewa
<b>Background Papers:</b>	None
<b>Contact Officer(s): (Name, Title, Contact Details)</b>	Darren Armstrong, Head of Audit and Investigations <a href="mailto:Darren.Armstrong@Brent.gov.uk">Darren.Armstrong@Brent.gov.uk</a> 020 8937 1751

**1. Purpose of Report**

- 1.1. This report provides an update on progress against the Internal Audit Plan for the period October to December 2021.

**2. Recommendation**

- 2.1. The Committee is asked to note the contents of the report.

**3. Internal Audit Performance**

- 3.1 During this period, Internal Audit have:
- Completed three audit reviews;
  - Completed four follow-up reviews;
  - Carried-out five school audit reviews;

- Completed a grant certification for the Supporting Families Programme;
- Issued draft reports for a further two audits, both of which are awaiting management responses; and
- Continued to undertake additional pieces of work at management's request and where required.

3.2 The 2021-22 Internal Audit Plan has also been reviewed and re-prioritised, in consultation with senior management, to ensure that all key and priority audits are completed. This has resulted in a number of non-priority audits, originally planned to be undertaken in 2021-22, being deferred to 2022-23. Further details are provided below.

#### Audit Work Undertaken

3.3 The 2021-22 Internal Audit Plan initially comprised of 37 audits, excluding school reviews, follow-ups and advisory work.

3.4 Three audit reviews have been completed during this period and details of key findings are set out in **Appendix A**. It should be noted that for all three reviews, positive management responses have been received. A further two reviews have also been completed and are at draft report stage, and management responses are currently being agreed.

3.5 10 audits are currently in progress and these are on track to be completed within early Q4. A further three audits have been scoped and terms of references have been agreed with auditees, with fieldwork due to commence in Q4. Details of the audits currently in progress and due to be completed in 2021-22 are set out in **Appendix B**.

3.6 The 2021-22 Internal Audit Plan has recently been reviewed and re-prioritised to ensure that all key and priority audits are completed in-year. Following consultation with Departmental Management Teams, we have deferred 10 non-priority audits as detailed in **Appendix C**. These audits will be considered as part of the 2022-23 planning process.

3.7 Internal Audit has also continued to carry out advisory work, where required and/or requested. During the period, advisory work has been undertaken in the following areas:

- Commercial supplier registration;
- Water bill liability refunds;
- Duplicate payments; and
- Housing incentives.

#### Follow-up Reviews

3.8 As part of the audit process, follow-up reviews are carried out to ensure that agreed management actions in respect of significant risks have been implemented.

3.9 During the period, four follow up reviews have been completed, and a further nine follow-up reviews are in progress. Details of the completed follow up reviews are set out in **Appendix D**.

3.10 In total 25 management actions have been followed-up, with outcomes shown in the table below:

Implemented	Partially Implemented	Not Implemented	No Longer Applicable
13	12	0	0

- 3.11 Revised completion dates have been agreed with management where actions remain partially implemented. Where appropriate, Internal Audit will revisit these areas to confirm implementation in Q4.

### Schools

- 3.12 The programme of school audits seeks to provide assurance over the key governance and financial management controls in place within individual schools. 10 school audit reviews are scheduled to be carried-out as part of the 2021-22 plan, in addition to a follow-up review of one audit completed in 2020-21.
- 3.13 Due to the impacts of the pandemic we had previously been operating a revised approach to school audits, including reviewing documentation remotely and carrying out virtual meetings with the schools to discuss any issues arising. During the period covered within this report, we have been able to resume visiting schools to undertake their audit, which has led to a more efficient and productive audit process.
- 3.14 Five school audits have been undertaken during this period, and three final reports (fieldwork carried out in Q2) and five draft reports have been issued. Whilst issues have been raised and reported across all of these reviews, only one review revealed a number of high risk findings. Positive responses have been received and an action plan has been agreed with the school to address the findings. A follow-up review will also be scheduled for 2022-3 to review and measure progress towards the implementation of recommendations.
- 3.15 The final two school audits and the follow up review are scheduled for Q4. Internal Audit also continues to attend the School Information Exchange meetings to discuss the audit process, key risk areas and any other concerns raised by schools.

### Customer Satisfaction

- 3.16 Management are asked to provide feedback on individual audits completed and the feedback is incorporated into the continuous improvement of the service. Questionnaires issued at the end of each audit ask the auditees to provide feedback on areas including usefulness of the audit, quality of the report and usefulness of any recommendations made.
- 3.17 One questionnaire has been returned during this period. All responses were very positive with 100% of scores recorded as 'very satisfied'.

## **4. Financial Implications**

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

## **5. Legal Implications**

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

**6. Equality Implications**

None

**7. Consultation with Ward Members and Stakeholders**

None

**Report sign off:**

**Debra Norman, Director of Legal HR Audit and Investigations**

**Appendix A**

Completed Audits for the period October to December 2021.

Audit Title	Summary of Key Findings
<p><b>Homecare</b></p> <p><i>Indicative Scope:</i> a risk based review to provide assurance surrounding the implementation of the new home care provision. The review focused on assessing the effectiveness of controls across a number of key areas, including: policies and procedures, performance monitoring, direct payments and management reporting.</p>	<p>Three findings (one high and two medium risk) were raised in the following areas:</p> <p><b><u>High Risk Finding</u></b></p> <p>1) Through review of a sample of 20 direct payment accounts, it was noted that in some instances excess funds were being held within both managed and non-managed accounts. Excess funds were identified as balances which exceeded the combined value of 3 months' worth of direct payments.</p> <p><i>Management Response:</i></p> <p><i>During the Covid-19 pandemic the day to work of the Direct Payments Team focused on supporting clients at the expense of some tasks, such as clawback. Additionally, some service users stopped using their DP to pay for care during the pandemic. As a result, funds have built up in some accounts that would, in ordinary circumstances, have been spent.</i></p> <p><i>The number of DPs that Brent Council administers has also increased from under 800 in February 2021, to 1200 in October 2021. Additional work in setting up these DPs means there has been less time to complete clawback work.</i></p> <p><i>A clawback exercise is underway now. Officers are satisfied that now is an appropriate time to undertake a clawback.</i></p> <p><b><u>Medium Risk Findings</u></b></p> <p>2) Through review of a sample of non-managed Direct Payment accounts, it was noted that some of these had not been subject to a regular and periodic review.</p> <p><i>Management Response:</i></p> <p><i>A sample of non-managed accounts will be reviewed on a quarterly basis, based on a</i></p>

Audit Title	Summary of Key Findings
	<p><i>risk profile of the accounts, to determine whether there has been misspending on the accounts. Care management teams will be reminded to check DP fund levels before carrying out annual Care Act Reviews to ensure that issues around spending are dealt with and care plans adjusted if necessary.</i></p> <p>3) It was noted that all safeguarding referrals, complaint and concerns received are logged using the CarePlace system. Where a complaint or concern is raised via the phone relating to a homecare provider, the Community and Prevention Team will attempt to resolve the concern via the call; however, it was noted that these may not always be added/recorded to the concerns log.</p> <p><i>Management Response:</i></p> <p><i>Complaints from DP service users about care providers will be logged on Care Place. Work will be done to check whether they can be differentiated from commissioned services.</i></p>
<p><b>Gifts and Hospitality</b></p> <p><i>Indicative scope:</i> a risk based review to provide assurance on the effectiveness and robustness of the Council's systems and policies for recording and monitoring gifts and hospitality for officers and Members.</p>	<p>Three medium risk findings were raised in the following areas:</p> <p><b><u>Medium Risk Findings</u></b></p> <p>1) It was identified that the Gifts and Hospitality policy requires updating, including the responsibility for monitoring compliance with the policy;</p> <p><i>Management Response:</i></p> <p><i>The policy will be updated and going forward HR will include this in the quarterly HR Management Information update to CMT.</i></p> <p>2) It was noted that there is currently a lack of regular reminders for staff and Members to complete a gifts and hospitality and declaration of interest return;</p> <p><i>Management Response:</i></p> <p><i>This will be addressed for staff by the details contained in the Managers and All Staff briefings which internal communications circulate.</i></p>

Audit Title	Summary of Key Findings
	<p>3) It was noted that whilst monitoring of gifts and hospitality takes place, this could be further enhanced at a service and divisional level.</p> <p><i>Management Response:</i></p> <p><i>HR will provide monitoring information via regular communications to Operational Director's and Heads of Service.</i></p>
<p><b>Housing Client Function</b></p> <p><i>Indicative Scope:</i> a risk based review to provide assurance that adequate governance arrangements are in place for managing the Council's portfolio of social housing, including: Tenancy Management Organisations (TMOs); Private Finance Initiatives (PFIs) and Public Private Partnerships (PPP).</p>	<p>Four medium risk findings were raised in the following areas:</p> <p><b><u>Medium Risk Findings</u></b></p> <p>1) The Council's agreements with the TMOs, PFI and PPP include obligations for each of the third parties to provide periodic reports and information to the Council. It was noted that when such information and reports are received by the Council, these are not always subject to formal review or escalation for senior management oversight, including the sharing of areas of good practice. Furthermore, it was also noted that actions arising from performance monitoring are not always tracked and hence, implementation of such actions are not always evidenced.</p> <p><i>Management Response:</i></p> <p><i>Presentation of TMOs, PFI and PPP performance will be presented to DMT on a quarterly basis and this will also be used as an opportunity to share good practice. Examples of good practice will be formally captured and communicated across relevant teams to encourage and promote good practice when identified.</i></p> <p>2) It was noted that the requirement and process for undertaking financial reviews of the TMOs, PFI and PPP are not formally documented to ensure consistency and continuity within working practices. In addition, we also noted that the implementation of actions following a review are not always formally tracked or monitored.</p>

Audit Title	Summary of Key Findings
	<p><i>Management Response:</i></p> <p><i>There are plans in place to improve documentation and processes around the annual review of the Affordability Model, however these were delayed due to other pressures, including Covid.</i></p> <p>3) It was noted that risk management processes for the TMOs, PFI and PPP have not been formally documented to ensure the identification and documentation of all relevant risks and mitigations.</p> <p><i>Management Response:</i></p> <p><i>TMO staff to attend the Council's Risk Management training. Management will review the risk management process for TMOs, PFI, and PPP. Specific risks will be considered with regards to health and safety risks and environmental risks including statutory housing management service requirements and escalated to and reported to senior management and across the Council.</i></p> <p>4) A number of observations were also noted and reported in respect of further enhancing the governance arrangements for the TMOs, PFI, and PPP, including documenting all governing activities within a process note/checklist, defining roles and responsibilities and identifying training requirements.</p> <p><i>Management Response:</i></p> <p><i>The Council recognises that there is a need for it to further develop appropriate processes to manage its relationship with the TMOs, PFI, and PPP to include a structure which outlines the roles and responsibilities.</i></p>





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## Appendix B – Audits Planned and in Progress

Audit Title	Current Status
Financial Support for Schools	Draft Report issued to management
Leaseholder Repairs	Draft Report issued to management. Awaiting agreement of management responses.
Purchasing Cards	Fieldwork in progress
Workforce/Succession Planning	Fieldwork in progress
FWH/i4B Asset Management	Fieldwork in progress
Fostering	Fieldwork in progress
Early Years	Fieldwork in progress
Cyber Security Remote Working	Fieldwork in progress
ASC Budget Monitoring	Fieldwork in progress
Flexible Working	Fieldwork in progress
Building Control Finance	Fieldwork in progress
Key Financial Controls	Fieldwork in progress
Oracle Cloud Programme Post Implementation Review	ToR issued - Fieldwork scheduled for February 2022
Council Companies and Governance Review	ToR issued - Fieldwork scheduled for February 2022
Equality Strategy	ToR issued - Fieldwork scheduled for February 2022
Debt Management	Planning in progress
Contract Management	Planning in progress
Demand for Services	Planning in progress
Leavers Process	Planning in progress
Climate Change/Sustainability	Fieldwork scheduled for March 2022
Fire Safety	Fieldwork scheduled for March 2022



## Appendix C – Audits Deferred to 2022/23

Audit Title
Highways Investment Plan
Local Services Project (Public Realm Contract)
Budget Management and Planned Savings/FM Code
Brent Commissioned Arrangements
Housing CRM
Buildings Compliance Oversight
Parking Debt Recovery
Sexual Health Services
Property Valuations
Members Enquiries

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## Appendix D

### Follow Up Reviews

Audit Title	Management Actions			
	Implemented	Partially Implemented	Not Implemented	No Longer Applicable
GDPR	7	5	0	0
Health and Safety	0	3 (3)	0	0
Lone Workers	2	3	0	0
Treasury Management	4	1	0	0

The numbers in brackets are high risk actions partially or not implemented and detailed below:

#### **Health and Safety:**

This was a second follow up of the actions that remained partially addressed following an initial follow up in June 2021. As reported in June, all three actions remain partially implemented. Management responses and revised implementation dates have been outlined below. Internal Audit will undertake a further follow-up review in April 2022 to review the implementation of recommendations.

#### Issue – Enhancing Internal Assurance Activities

##### **a) Develop a risk-based assurance plan for undertaking H&S assurance activities (audits and inspections) for key risks across the Council.**

*Management Response: This was originally developed with an implantation plan for 2020; however this was paused through the impacts of the pandemic across the council and the re-design to a more efficient model. The plan is nearing the end of the re-design to an annual self-assurance model with the implementation target of 1 April 2022.*

*The essence is to provide an audit template questionnaire to all Heads of Service, copied to Operational Directors, which is returnable to Corporate Health and Safety (CH&S). CH&S will review each return, request verification evidence where necessary, construct action plans, and feedback to Heads of Service and Operational Directors with final reports. The annual process, end to end, is built on a 6-8 month pathway of self-assurance activity and final reporting to the services culminating with annual reporting to the Health, Safety and Emergency Planning Committee then to the Council Management Team.*

**b) Report on the findings of these assurance activities to the H&S committee and the Council Management Team (CMT).**

*Management Response: Results will be reported annually to the Health, Safety and Emergency Planning Committee and the Council Management Team.*

**c) Review the H&S team capacity to carry out assurance of the H&S management system in addition to current advisory role, ensuring there are suitable independence considerations in place between those providing assurance and those providing advisory support.**

*Management Response: To ensure independence and objectivity in the process, the Corporate Health and Safety Manager and one adviser are lead auditors for ISO:45001. All advisory staff in Corporate Health and Safety are bound by the Institution of Occupational Safety and Health professional Code of Conduct. Recruitment for a third advisor is advanced with a desired appointment date of 1 April 2022.*



 <b>Brent</b>	<b>Audit &amp; Standards Advisory Committee</b> <b>31<sup>st</sup> January 2022</b>
	<b>Report from the Director of Legal, HR and Audit &amp; Investigations</b>
<b>Counter Fraud – 2021-22 Progress Report to Q3</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	None
<b>Background Papers:</b>	None
<b>Contact Officer(s): (Name, Title, Contact Details)</b>	Darren Armstrong, Head of Audit and Investigations <a href="mailto:Darren.Armstrong@Brent.gov.uk">Darren.Armstrong@Brent.gov.uk</a> 020 8937 1751

**1. Purpose of the Report**

1.1 The report sets out a summary of the counter fraud activity for 2021/22 to Q3.

**2. Recommendation**

2.1 The Committee is asked to note the contents of the report.

**3. 2021-22 Counter Fraud Progress Report to Q3**

**Internal Fraud**

3.1 Internal referrals include whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports are covered in the 'Proactive' section of this report. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature. The table below sets out key figures in this area for 2021-22 to date.

Table A – Internal Fraud

Internal Fraud	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)	2019/20 (full year)
Open Cases b/f	21		20	18	21	12	5
New Referrals	22		7	9	6	38	35
Closed Cases	22		6	7	9	29	28
Open Cases c/f	21		21	20	18	21	12
Fraud / Irregularity identified*	6		1	1	4	4	12

\* Where closed cases do not identify fraud / irregularity, these are generally recorded as NFA (No Further Action)

3.2 There were 22 new referrals opened between Q1 and Q3 from a variety of sources that also related to whistleblowing. The volume of referrals is consistent with recent years, and the trend suggests the service profile and engagement across the Council remains effective. A summary of the main case types received is as follows:

- Breach of financial / other regulations (6);
- Bribery and Corruption (7);
- Conflict of Interest (3);
- Theft of Council property (1),
- Fraudulent Claims / Allowances (2),
- External offences/conduct by staff (1), and
- Recruitment irregularities (2).

3.3 There were also 22 cases concluded during the same period. 6 of these were substantiated with the degree of fraud and/or irregularity identified ranging in each case. Due to the confidential nature of the type of referrals, it is not appropriate to provide details in this report. There are currently 12 live investigations at various stages and four of these are classified as whistleblowing.

3.4 A case concluded during Q2 involved a conflict of interest relating to undeclared secondary employment, identified from the National Fraud Initiative 2020 data matching exercise. The officer received a final warning following a disciplinary investigation.

3.5 With most cases under this category, the Counter Fraud team will report to management with any recommendations to improve control and to mitigate future occurrences. It will also liaise with the Internal Audit team for wider consideration in the Internal Audit Plan. Recommendations arising from fraud investigations are followed up with the same rigour as those from Internal Audit.

3.6 The team arrange regular fraud awareness workshops across all Council services, where deemed relevant or necessary. This is an on-going commitment and coverage includes services where fraud has occurred or where the team's own fraud risk assessment of a service suggests there is a higher fraud risk.

## Tenancy and Social Housing Fraud

- 3.7 The recovery of social housing properties by the Counter Fraud team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council. The average value of each recovered tenancy is estimated to be £93,000 per property, as reported by the Cabinet Office ([National Fraud Initiative Reports 2016 - 2020](#)). The counter-fraud activity in this area up to Q3 is summarised in the table below.

Table B – Tenancy and Social Housing Fraud

Housing Fraud	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)	2019/20 (full year)
Open cases b/f	82		74	84	82	66	23
New cases	143		73	31	39	202	176
Closed cases	141		63	41	37	186	133
Open cases c/f	84		84	74	84	82	66
Fraud Identified	20		8	8	4	11	19

\* Notional value of recovered properties (including housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £93,000. (£18,000 used previously)

- 3.8 The total number of fraudulent housing cases concluded up to Q3 was 20, which is higher than recorded for the same period in the previous year of seven. The total notional and actual value of these cases is £1,871,900. In addition, the team has completed 28 tenancy verifications where fraud was not identified.
- 3.9 The number of housing frauds detected during the first nine months has increased when compared to an average of 19 total recoveries over the previous three years (11, 19, and 27). Referrals from Brent Housing Management (BHM) have improved compared to the last two years, and both teams are working to increase the quality and quantity of referrals. Of the 143 referrals logged up to Q3, 90 were from BHM teams, which represents 62.94% of new investigations opened compared with 26.25% for the same period in the previous year. In comparison, of the 20 successful fraudulent cases concluded in the same period, 12 were from direct engagement with BHM and the remaining cases from internal proactive work and other housing related teams. This emphasises the importance of receiving good quality referrals from housing staff through their normal engagement with Council tenants.
- 3.10 There are currently 94 live housing investigations – of these; 14 cases are involved with legal proceedings to recover the property, and a further 16 cases have been concluded by the team with a report issued to BHM and other Registered Social Landlords that recommends recovery action is instigated. The team is working closely with the relevant teams to progress these cases.

- 3.11 The team has recently provided relevant BHM staff with appropriate access to anti-fraud and tracing systems to aid verification of Succession and Right to Buy applications. It is also assisting management with its ongoing tenancy audit and anti-fraud strategy, which has included fraud risk training for staff.

### External Fraud

- 3.12 'External fraud' includes all external fraud / irregularity that affects the Council. This will include (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter fraud activity for 2021-22 is summarised in the table below:

Table C – External Fraud

External Fraud	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)	2019/20 (full year)
Open cases b/f	96		134	99	96	37	20
New Referrals	185		76	74	35	343	193
Closed Cases	134		63	39	32	284	176
Open cases c/f	147		147	134	99	96	37
Fraud / Irregularity identified*	45		19	19	7	19	49

\* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action).

- 3.13 There has been a decrease in referrals of this type – 185 new cases compared to 292 during the same period last year. The increase in last year's referrals coincided with the government's lockdown arrangements. Approximately 80% of all external referrals received were from the public with the majority related to household occupancy, business grant schemes, parking and other breaches related to lockdown arrangements. The current level of referrals is consistent with pre-lockdown arrangements.
- 3.14 Successful fraud detected outcomes have increased compared to the previous year – 45 to Q3, whereas there was 19 in 2020-21 (full year). This includes 20 cautions/warnings issued for Blue Badge fraud. A further two Blue Badge cases were successfully prosecuted during Q3 in addition to four prosecutions during Q2. In addition to these outcomes, the cases where appropriate are filed to the [Cifas National Fraud Database](#), which helps to further prevent and detect fraud.
- 3.15 Seven fraudulent cases relating to Business Covid-19 Grants were concluded up to Q3, which successfully prevented the payment of grants to the value of £141,750.
- 3.16 There are currently 112 live cases, which includes 54 Blue Badge, 22 Council Tax, and six Business Rates and Business Covid-19 Grant related cases. Other case types include; payments from Adults and Children services, theft of client funds, grants, benefits and other alleged fraud affecting the Council.

## Proactive activity

- 3.17 The team undertakes a broad range of proactive activity based on fraud risk and close working with the Internal Audit team. This will include NFI data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews across all service areas. The counter fraud activity for 2021/22 is summarised in the table below:

Table D – Proactive Cases

Proactive Cases	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)
Open cases b/f	35		23	30	35	N/A*
New Proactive	105		93	3	9	
Closed Cases	42		18	10	14	
Open cases c/f	98		98	23	30	
<i>Fraud / Irregularity / Savings identified</i>	3		2	4	0	
<i>Advice / Recommendations</i>	1		0	0	1	
<i>Audit / Risk review</i>	18		18	10	14	

\* The Proactive Cases summary was previously merged with Table C – External Fraud.

- 3.18 The mandatory data submissions for the [National Fraud Initiative \(NFI\) 2020](#) exercise was uploaded in October 2020. The results were made available during 2020/21 Q4, and have produced 12,913 matches up to Q3. The team review these matches on a risk based approach. The previous exercise generated 19,296 data matches and the review concluded in Q1 identified over £570,000 savings from fraud and error covering a range of service areas. These represent multiple data matching reports across the full range of data sets that include Payroll, Pensions, Finance, Creditors, Housing, Benefits, Direct Payments, Parking Permits and concessionary travel. In addition, there are new reports relating to the first round of Business Covid-19 Grants paid out during Q1 and Q2 of 2020/21. The overall summary to Q3 shows; 1,828 matches were reviewed, 1,548 cleared, 280 fraud or error detected with a savings value of £60,337. The total estimated savings total for this exercise is £450,717.
- 3.19 During Q3, 18 proactive cases have been concluded. This included 15 NFI data matching reviews and two of these identified £39,779 actual savings from fraud or error relating to Council Tax and Pensions. A further 93 proactive cases have been generated recently and the team will work on these during Q4. The majority are related to the NFI exercise, and a further seven are targeted fraud risk reviews across Council departments covering the following areas; Grants (application and monitoring), Adult Social Care Financial Assessments, Schools Admissions, NNDR Small Business Rates Relief (SBRR), Parking Permits, Member Related Parties Declarations and i4B Key Worker Housing.

- 3.20 There were three Blue Badge operations undertaken with Parking Enforcement during Q3, covering the Cricklewood and Harlesden areas. These were part of a visible targeted presence supporting other Council enforcement teams. The operations resulted in 56 badges inspected and multiple parking related offences identified. The team will continue to review the Covid-19 risks during Q4 before leading on larger operations though will continue to support other enforcement teams in smaller targeted operations.
- 3.21 The team provided fraud awareness training to new Benefits and Customer Service staff during September, and is currently working with the Learning and Development team to introduce refreshed mandatory e-learning training packages in Q4 covering fraud prevention, bribery and corruption.
- 3.22 As identified throughout this report, the team will identify both notional and actual savings from its investigations and reviews. These are summarised in the table below. It is important to note that whilst all savings may not be actual and/or cashable savings, the below table demonstrates the positive impact that the Counter Fraud Team continues to have across the Council and also in relation to the protection of the public purse.

**Table E – Savings Summary**

Savings Summary (£)	Year to date	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1
** Blue Badge	167,900.00		9,735.00	157,015.00	1,150.00
Client Funds	975.90				975.90
Council Tax Benefit	657.69				657.69
Council Tax Reduction Scheme	32,459.81		7,130.35	22,027.91	3,301.55
Council Tax SPD	837.84			779.76	58.08
Creditor Payments	578.14			578.14	
Grant Funding	64,980.00			64,980.00	
Grant Funding - Covid-19	141,750.00		58,000.00	58,750.00	25,000.00
Home Loss Payment	7,625.00				7,625.00
** Housing Tenancy	1,767,000.00		744,000.00	744,000.00	279,000.00
Pensions	32,648.83		32,648.83		
Rent Allowance	17,631.68				17,631.68
Right To Buy Fraud	104,900.00			104,900.00	
Litigation Investigation Costs	5,459.50		734.00	4,725.50	
	<u>2,345,404.39</u>	<u>0.00</u>	<u>852,248.18</u>	<u>1,157,756.31</u>	<u>335,399.90</u>

\* Summary covers concluded cases / reviews, and does not include values recorded against live cases.

\*\* Notional savings (other categories are actual / cashable savings)

## **Other Activity**

- 3.23 The service has proposed that the Council obtain full membership access to an [Enhanced Internal Fraud Database](#) (EIFD) that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). An update was sent to CMT earlier this year and the membership agreement has been reviewed and approved by the Director of Legal, HR and Audit & Investigations.
- The EIFD is a repository of fraud risk information that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. This system is focussed on employee fraud and recruitment controls.
  - The system will enable the Council to have additional assurance around recruitment and provide the Investigations team with additional resource when conducting internal investigations.
  - The team and Cifas are currently working with HR and Recruitment to prepare for a go-live date in Q4 2021-22.
- 3.24 In June, four new identity scanners were installed at the Civic Centre. They are located at Recruitment, Registrars and Customer Services, with an additional mobile version held by the team. Staff from various services have access and the team will continue to promote the scanners and roll out access to relevant staff. The scanners have enhanced features to authenticate almost all worldwide identity documents and will provide staff a higher degree of assurance and further protect the Council from fraud. The team is working with Digital Services to explore options to integrate the scanners with the Council's digital network to assist services further.
- 3.25 Two existing Council staff have joined the team in Q3 as Trainee Counter Fraud Officers. Using a Government anti-housing fraud grant, they will undertake the new [Counter Fraud Apprenticeship](#) as part of a two-year secondment and training programme.

## **4.0 Alternative Options Considered**

4.1 N/A

## **5.0 Financial Implications**

5.1 There are no specific financial implications associated with noting this report.

## **6.0 Legal Implications**

6.1 There are no specific legal implications associated with noting this report.

## **7.0 Equality Implications**

7.1 None

## **8.0 Any Other Implications (HR, Property, Environmental Sustainability - where necessary)**

8.1 None

**9.0 Proposed Consultation with Ward Members and Stakeholders**


9.1 None

**Report sign off:**

**Debra Norman**

Director of Legal, HR, Audit and Investigations



 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> <b>31<sup>st</sup> January 2022</b>
	<b>Report of the Director of Finance</b>
<b>External Audit Appointment for 2023/24 to 2028/29</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	KEY
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	OPEN
<b>No. of Appendices:</b>	n/a
<b>Background Papers:</b>	
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 minesh.patel@brent.gov.uk  Ben Ainsworth, Head of Finance 020 8937 1731 Benjamin.ainsworth@brent.gov.uk

## 1.0 Summary

- 1.1. This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.
- 1.2. The Council is currently opted into the ‘appointing person’ national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 1.3. PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. All local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
- 1.4. The report concludes that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
  - collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;

- if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
  - it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
  - supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.
- 1.5. If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

## **2.0 Recommendation**

- 2.1 That the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

## **3.0 Background**

- 3.1 Under the Local Government Audit & Accountability Act 2014 ("the Act"), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options:
1. To appoint its own auditor, which requires it to follow the procedure set out in the Act.
  2. To act jointly with other authorities to procure an auditor following the procedures in the Act.
  3. To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).
- 3.2 In order to opt in to the national scheme, a Council must make a decision at a meeting of the Full Council.
- 3.3 The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The

appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.

- 3.4 The auditor must act independently of the council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
- 3.5 The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) and employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.
- 3.6 Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.
- 3.7 Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

#### **Appointment by the Council itself or jointly**

- 3.8 The Council may elect to appoint its own external auditor under the Act, which would require the Council to;
  - Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act.
  - Manage the contract for its duration, overseen by the Auditor Panel.
- 3.9 Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

#### **The national auditor appointment scheme**

- 3.10 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

3.11 In summary the national opt-in scheme provides the following:

- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
- appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

### **Pressures in the current local audit market and delays in issuing opinions**

3.12 Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.

3.13 During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

- 3.14 The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.
- 3.15 This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.
- 3.16 None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

#### **The invitation**

- 3.17 PSAA is now inviting the Council to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor.

#### **The next audit procurement**

- 3.18 The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
- seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
  - continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);
  - continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned.

- 3.19 PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
- 3.20 The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.
- 3.21 There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

#### **Assessment of options and officer recommendation**

- 3.22 If the Council did not opt in there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
- 3.23 Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
- 3.24 These would be more resource-intensive processes to implement for the Council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The Council is unable to influence the scope of the audit and the regulatory regime inhibits the Council's ability to affect quality.

- 3.25 The Council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.
- 3.26 The national offer provides the appointment of an independent auditor with limited administrative cost to the council. By joining the scheme, the council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.
- 3.27 The recommended approach is therefore to opt in to the national auditor appointment scheme.

### **Risk Management**

- 3.28 The principal risks are that the Council:
- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
  - does not achieve value for money in the appointment process.
- 3.29 These are also concerns over the quality of the audits and the timeliness of audits as only 9% of the 2020/21 Local Authority audits (including Brent) were completed by the statutory deadline of 30<sup>th</sup> September 2021. These risks are:
- A lack of experienced Local Authority auditors, across UK there are only 97 Key Audit Partners who are authorised to act as engagement leads for local audits and only 9 approved audit firms, of this only 5 have contracts with PSAA in the current appointment period. Lack of auditors with contracts with PSAA reduces capacity for each audit, which affects quality and ability to meet statutory deadline.
  - The low cost achieved by PSAA in the current round of appointment may have affected audit quality. The Kingman report published in December 2018 references the reductions in audit fees for principal local authorities (both the 23% reduction achieved by PSAA and earlier reductions, which amounted to some 55%, compared to previous fees). It states that 'The Review has serious concern that these arrangements, in practice, may well be prioritising a reduction in cost of audit, at the expense of audit quality. Furthermore a survey by PSAA of the 9 approved audit firms shows that they are unanimous in their view that fees have not kept pace with the increasing risks (both from increased scrutiny over external audit and from the impact of austerity).
  - The government set target date of 31<sup>st</sup> July for the audit of Local Authorities was extended to 30<sup>th</sup> September for 2 years from 2020/21, with a review at the end on whether there is a continued need to have an extended deadline. If the target date reverts back to 31<sup>st</sup> July this would cause problems for audit firms as it reduces capacity, which is already stretched, by restricting the number of auditor hours available to a two month period. This may encourage firms to fill the gap with inexperienced resources drawn from other sectors and disciplines, which would impact quality.

- 3.30 In response to these risks PSAA has made some changes to their procurement, including changes to their bidding rules relating to lots to encourage more bidders and increasing the quality:price ratio to 80:20 for evaluating tender bids. However, it is unclear whether this will have the desired effect, therefore the Council will have to work closely with their external auditor to ensure a quality and timely audit.
- 3.31 If the council were to procure this contract itself these risks would still exist, a key issue is that the Ethical Standards that the FRC sets for the Audit firms prohibit conventional contract management tools, such as linking payment to delivery of the contractual requirements on time. This prohibition is to limit the extent to which clients can influence the outcome of audits.
- 3.32 It is therefore considered that the best option for the council is to opt into the PSAA scheme, as opting out would create a significant administrative burden and increase the risk of not appointing an auditor in accordance with the requirements and timing specified in local audit legislation.

#### **4.0 Financial Implications**

- 4.1 There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.
- 4.2 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.
- 4.3 If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

#### **5.0 Legal Implications**

- 5.1 Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
- 5.2 Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.
- 5.3 Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.



5.4 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

## **6.0 Equality Implications**

6.1 There are no direct equality implications in agreeing the report.

## **7.0 Human Resources Implications**

7.1 There are no direct Human Resources implications in agreeing the report.

**Report sign off:**

**Minesh Patel**  
Director of Finance

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# London Borough of Brent and Pension Fund Audit Progress Report

Year ending 31 March 2021

31 January 2022  
Page 47



# Contents

Section	Page
Introduction	3
Progress at January 2022	4
Audit Deliverables	6
Final Fees 2020/21	7

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.

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# Introduction

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

Members of the Audit and Standards Advisory Committee can find 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](http://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 Engagement Lead or Engagement Manager.

# Progress at January 2022

## Financial Statements Audit

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August. The date by which authorities are required to publish audited financial statements is 30 September. In 2020 this date was pushed back to 30 November.

We reported our work in the Audit Findings Report in September and gave our opinion on the financial statements on 29 September 2021.

We will issue the audit certificate once work on the Whole of Government consolidation pack audit procedures and review of the Pension Fund annual report are complete. The work is on track to meet the respective deadlines.

Our work on the 2021/22 financial statements audit will commence in March 2022.

We would note that DLUCH have moved deadline for 2021/22 audits back to 30 November 2022.

## 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 is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office (NAO) has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements.

Our work on the Council’s 2020/21 Value for Money conclusion is complete and we presented the Auditor's Annual Report on 22 September 2021 to the Audit and Standards Committee. We will present the report to Full Council in February 2022.

# Progress at January 2022 continued

## 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 2020/21 claim began in November. DWP has extended the deadline for reporting the findings of this work to 31 January 2022. We will report our findings to the Audit and Standards Advisory Committee once our work is complete.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2020/21 return began in October and is ongoing.

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 2020/21 return began in December and is ongoing.

### Meetings

We met with Finance Officers in November 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 November 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 Council. Your officers have been invited to attend our Financial Reporting Workshop in January and February 2022, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

## 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, Compliance and Governance Committee. The final proposed fees for the 2020/21 audit are included within the Progress Report.

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 Audit-related Deliverables	Planned Date	Status
<p><b>Teachers Pensions Scheme – certification</b></p> <p>This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform. at the time of drafting this report we await workings papers from Management. This work is ongoing and we are working with the Management to complete this work as soon as possible.</p>	30 November 2021	Ongoing
<p><b>Housing Benefit Subsidy – certification</b></p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	31 January 2022	Not yet due
<p><b>Pooling of housing capital receipts - certification</b></p> <p>This is the report we submit to Ministry of Housing, Communities and Local Government based upon the mandated agreed upon procedures we are required to perform.</p>	4 February 2022	Not yet due
<p><b>2021/22 Deliverables</b></p>	Planned Date	Status
<p><b>Audit Plan – Authority and Pension Fund</b></p> <p>We are required to issue a detailed audit plan to the Audit &amp; Standards Advisory 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.</p>	March 2022	Not yet due
<p><b>Audit Findings Report – Authority and Pension Fund</b></p> <p>The Audit Findings Report was reported to the September Audit &amp; Standards Advisory Committee.</p>	September 2022	Not yet due
<p><b>Auditors Report – Authority and Pension Fund</b></p> <p>This includes the opinion on your financial statements.</p>	September 2022	Not yet due
<p><b>Auditor’s Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	September 2022	Not yet due



# Final Audit Fees for 2020-21

We confirm below our final fees charged for the audit and provision of audit related services. There were no fees for the provision of non-audit related services. We would also note that PSAA and DLUCH have made a distribution of £30,320 and £79,224 respectively to support 2020/21 fees.

Audit fees	2019-20 Final Fee	2020-21 Planned fee	* 2020-21 Final fee
Scale Fee published by PSAA	£153,684	£153,684	£153,684
Raising the bar / regulatory factors	£10,000	£10,000	£10,000
Enhanced audit procedures for Property, Plant and Equipment	£9,500	£9,500	£9,500
Enhanced audit procedures for Pensions	£4,000	£4,000	£4,000
Group accounts	£4,000	£4,000	£4,000
New accounting standards	£3,000	-	-
Prior period adjustment review	-	£3,000	£3,000
Covid-19 impact (one-off) for 2019/20	£27,650	-	-
Additional work on Value for Money (VfM) under NAO Code		£26,000	£26,000
Increased audit requirements of revised ISAs		£17,000	£17,000
<b>Total audit fees (excluding VAT)</b>	<b>£211,834</b>	<b>£227,184</b>	<b>£227,184</b>
Pension Fund	£28,750	£33,000	£33,000
<b>Total audit fees (excluding VAT)</b>	<b>£240,584</b>	<b>£260,184</b>	<b>£260,184</b>

\* The final fee variation is subject to approval by PSAA.

Audit related fees for other services	Proposed fee	Final fee
Audit related – Housing Benefit Subsidy return	£18,000	TBC
Audit related – Pooling of Housing Capital Receipts return	£5,000	TBC
Audit related – Teachers’ Pension return	£7,500	TBC
<b>Total non-audit fees (excluding VAT)</b>	<b>£27,000</b>	<b>TBC</b>



**A&SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA**

Topic / Date	11-May-21	26-Jul-21	22-Sep-21	07-Dec-21	31-Jan-22	15-Mar-22
<b>Internal Audit &amp; Investigations</b>						
Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
Review Internal Audit Charter				X		
Internal Audit and Counter Fraud Progress Reports			X		X	
Draft Internal Audit and Investigations Annual Plan						X
<b>External Audit</b>						
External Audit progress report		X	X	X	X	X
External Audit plan	X					X
Statement of Accounts & External Auditor's Report			X			
External Audit Appointment Report					X	
Annual Auditor's Report			X			
<b>Financial Reporting</b>						
Treasury Management Mid-term Report				X		
Treasury Management Strategy				X		
Statement of Accounts		X	X*			
Treasury Management Outturn Report	X					
CIFPA Financial Management Code & Assessment		X		X		
<b>Governance</b>						
To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd			X			X
Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal				X*		
Review of the use of RIPA Powers	X					X
Planning Code of Practice Review						X
Receive and agree the Annual Governance Statement		X*				
<b>Risk Management</b>						
Strategic Risk Register Update		X				X
Cyber-Security Risk				X		
Emergency Preparedness		X				
<b>Audit Committee Effectiveness</b>						
Review the Committee's Forward Plan	X	X	X	X	X	X
Review the performance of the Committee (self-assessment)						
Training Requirements for Audit Committee Members as required						
<b>Standards Matters</b>						
Standards Report (including gifts & hospitality)		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 Committee

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