



Brent

**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE**  
**Held in the Conference Hall, Brent Civic Centre, on Tuesday 7 June 2022 at**  
**6.00 pm.**

**PRESENT** David Ewart (Chair) and Councillors Chan (Vice Chair), S Butt, Choudry, Kabir, Long, Jayanti Patel and Smith.

Independent Advisor: Vineeta Manchanda

Also present: Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources and Reform).

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

Apologies for absence were received from Mark Mills (Independent Co-Opted Member).

2. **Declarations of Interest**

David Ewart declared a personal interest in Agenda Item 10 (CIPFA consultation on temporary changes to infrastructure assets accounting) 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 15 March 2022 be approved as a correct record.

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

Having reviewed the minutes, Members advised they were keen (moving forward) to establish an Action Log in order to assist the Committee in monitoring progress on actions agreed at each meeting, which it was **AGREED** to establish from the next meeting moving forward.

In terms of other Matters Arising from the previous meeting:

**Min 5 – Matters Arising: External Audit Appointment 23/24 – 28/29**

Members were reminded that as previously discussed Brent Council had now agreed to opt in to the Public Sector Audit Appointments (PSAA) scheme. As a result new external auditors would be independently appointed in due course.

**Min 10.2 - Report from Chair of FWH Ltd**

Clarification and a report back was requested at a future meeting regarding the query raised in relation to the rating of risks on the enhanced legal standards for H&S compliance and why these were higher within the FWH than I4B risk register (*Action: Peter Gadsdon/Sadie East*)

## 6. **Standards Report (including Gifts and Hospitality)**

Biancia Robinson, Senior Constitutional and Governance Lawyer, introduced a report updating the Committee on gifts and hospitality registered by Members, and the attendance record for Members in relation to mandatory training sessions. The report also updated the Committee on the provisional appointment of an Independent Person, the Government's response to the review by the Committee on Standards in Public Life and a recent Standards case.

In considering the report the Committee noted:

- No gifts or hospitality had been registered by Members in the final quarter (January – March 2022).
- Following the local elections and membership appointments made at the Annual Council meeting in May 2022, the induction and mandatory training programme for all councillors had commenced and was due to conclude in mid July 2022. Members were advised that a further update would be provided at the next meeting in relation to Member's attendance at mandatory training with details on the full programme having been provided within section 3.6 of the report. (*Action: Debra Norman/Biancia Robinson*)
- Following the conclusion of the recruitment process for an Independent Person to replace Nigel Shock, the Committee were asked to note that in July 2022 Full Council would be asked to approve the appointment of Julie Byrom to fill the vacancy as Independent Person until 2026. It was confirmed that the existing Independent members, William Goh and Kier Hopley, would be continuing in post until 2025. The Committee took the opportunity to formally thank Nigel Shock for his support during his time as Independent Person.
- In addition to the update provided on the Independent Person, members were advised that Mark Mills, Independent co-opted member on the Committee, had unfortunately also tendered his resignation, effective from 30 June 22 as a result of competing work requirements. Members again took the opportunity to express thanks to Mark Mills for his work and support whilst serving on the Committee.
- The Government had now published their response to the Committee on Standards in Public Life's (CSPL) report on ethical standards in local government. The CSPL report had initially been published in January 2019 with 26 recommendations, which had included various amendments to primary and secondary legislation along with a number of examples of best practice. Whilst the Local Government Association had already acted on the first recommendation with implementation of the model code of conduct (December 2020), members were advised that the Department for Levelling Up, Housing and Communities had now published its response, with a copy attached as Appendix A in the report to the committee. The response outlined the recommendations that the Government would be taking forward to ensure high ethical standards were held across all local authorities, with a further

- update to be provided for the next meeting in relation to the potential impact on Brent. (*Action: Debra Norman/Biancia Robinson*)
- Given the Committee's role in ensuring standards of conduct were maintained in Brent, details were also provided on a recent Standards case involving the removal of a Maldon councillor at Maldon District Council as a result of them being found to have deliberately attempted to undermine the Code of Conduct process, bringing their local authority into disrepute. Members' attention was drawn to the key issues identified as a result of the Standards investigation and consideration of the outcome by Maldon's Joint Standards Committee.

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

- It was clarified that substitute members on Committee's were also being invited to attend the relevant mandatory training session for those bodies.
- Confirmation was also provided that elected members who were unable to attend mandatory training on the scheduled dates would be offered alternative dates to complete their training.

As no further issues were raised the Chair thanked Bianca Robinson for the updates provided and it was **RESOLVED**, subject to the actions identified above, to note the content of the report.

## 7. **Annual Governance Statement**

Debra Norman, Director of Legal, HR, Audit & Investigations, introduced the report setting out the draft Annual Governance Statement (AGS) for 2021/22 as required by the Accounts and Audit Regulations 2015.

In presenting the report the Committee noted:

- The seven core governance principles introduced by CIPFA upon which the review of governance arrangements and production of the AGS had been based, as detailed in section 3.4 of the report;
- That no significant governance issues had been identified relating to 2020/21;
- The statement had been prepared in accordance with the CIPFA framework and had been subject to review and comment by both internal and external audit.
- The importance of the AGS in outlining the Council's framework of control in relation to its Governance arrangements and in terms of managing risk, the effectiveness of which was subject to ongoing review.

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

- In response to a query regarding benchmarking of the Statement against other local authority reports, Ciaran McLoughlin (Grant Thornton External Auditors) confirmed that Brent's Statement had complied with relevant guidance and compared well to other Statements they had reviewed.

- The need identified to ensure section 4.4.9 (Risk Management) of the statement was amended to reflect the frequency of monitoring the Strategic Risk Register by the Committee as half yearly rather than quarterly.

As no further issues were highlighted, the Advisory Committee **RESOLVED** to endorse, subject to the comments above, the draft 2021/22 Annual Governance Statement for reference on to the Audit and Standards Committee for formal approval.

## 8. Strategic Risk Register

Darren Armstrong, Head of Audit & Investigations, introduced the report providing the Committee with an update on the Council's Strategic Risk Register, which summarised the Council's corporate risk profile at the end of 2021-22.

In considering the report the Committee noted:

- The Strategic Risk Register had been prepared in consultation with risk leads, Departmental Management and Senior Leadership Teams and the Council's Management Team and in accordance with the key elements of the Council's Risk Management Policy and Strategy.
- The ongoing enhancements to the Council's risk management framework, which had included risk sponsors being assigned for each strategic risk with accountability for the agreed risk mitigating actions and controls. In addition, the risk impact matrix had been expanded in order to identify and articulate risk impact across a number of factors including financial, service delivery, health and safety and reputational impacts, as detailed within the Risk Register attached as Appendix A to the committee report.
- The Council's Strategic Risk Register was reviewed and updated biannually to include the risks that were considered by senior management to be of impact and/or likelihood of materialising and which may have an adverse effect on the achievement of the Council's corporate objectives.
- The most recent review had also been aided by a session on strategic risk management held at the Council's Senior Managers Group in January 2022. Members were advised that the outcome from the review process with Senior Managers had resulted in a number of amendments being made to the Strategic Risk Register.
- As a result of the overall review process undertaken, a number of new risk areas had been added to the register (as detailed in section 4.6 of the report). These included the cost of living crisis, recruitment and retention of permanent staff and an increased demand from migration and people movement.
- In addition to the new risks identified, five risks had been closed and removed from the Strategic Risk Register as they had either been subsumed or superseded by new areas of strategic risk, or the risk score had reduced to a level which enabled the risks to be managed and monitored via departmental and service level risk registers. The closed risks related to delivery of the Digital Strategy; Brexit - Economic uncertainty/loss of workforce; Demand for services; Delays in the re-procurement of key public realm services and Workforce resilience.
- The amendments made to individual risk scores of existing risks as detailed within the "previous" and "updated" risk scores within the Register.

- The number of inherent risks also identified which continued to be owned and monitored at a Departmental level and therefore did not form part of the Strategic Risk Register. These included Safeguarding (Children and Adults); Business Continuity; Information Governance; Legislative Compliance; Fraud and Corruption; Major Unforeseen Events; Financial Stability and Health and Safety.

The Chair thanked Darren Armstrong for his report and invited Committee members to ask any questions they may have, with the following responses provided:

- In response to a Committee question regarding how the latest risks on the register had been identified, officers advised that a number of meetings had taken place with senior management and officers to look at the council's strategies, objectives and priorities and to assess the risks identified against the impact and/or likelihood of them materialising in a way that would have an adverse effect or could threaten achievement of the Council's key corporate objectives. The content was provided via a "bottom-up" approach, with the provision of risks from services and departments being identified that were deemed to require consideration at a strategic level and with risks also being identified directly by CMT where they were deemed to meet the threshold to be identified and managed as strategic risks rather than managed through individual Departmental Risk Registers.
- The Committee were reminded of the fluid nature required in terms of the approach towards identifying and managing risk with it noted, as an example, of the following significantly enhanced risks identified since the previous review in relation to the Homes for Ukraine Scheme, increased costs in delivery and supply of affordable accommodation and continuing impact of the cost of living crisis.
- Clarification was provided that the Deficit Management Plan for the High Needs Block of the Dedicated Schools Grant continued to be captured as a risk within the Strategic Risk Register. The committee noted this was historically a high scoring risk and would continue to be closely monitored.
- In response to a Committee query as to how Departmental Risk Registers were being managed, officers advised that the regular review of these registers formed part of a quarterly review process undertaken by Internal Audit with individual departments. This included the provision of risk management support to assist with the updating of risk registers with the information provided also used to inform the annual and in-year audit planning process. Whilst departments would be responsible for maintaining and monitoring their individual risk registers the process also existed for escalating risks to CMT were they were felt to (based on net or mitigated risk scores) to have increased beyond agreed tolerances. In addition, the role of scrutiny in being able to review and monitor the content of departmental risk registers was also highlighted, with the suggestion made that members could be encouraged to include this process as part of budget setting review process undertaken by scrutiny.
- In noting the updates provided in relation to recent developments and progress in terms of the mitigating actions against the strategic risks identified, attention was drawn to the reduction in risk score against Item F (Failure to Deliver Planned Services) and Item G (Budget Setting) with members keen to

- ensure further detail was provided as part of future monitoring reports outlining the basis of any movement in risk scores (*Action: Darren Armstrong*)
- Following on from the previous comment, members also sought further detail on the process for removing a risk from the Strategic Register. The Committee were advised that the decision to remove any high risk items would only be taken after detailed discussion with CMT and the relevant risk sponsor. In the case of risks relating to delivery of the budget it was noted that these were likely to always remain on the register due to the ongoing and evolving nature of associated risks identified with the process.
  - As part of the developments and mitigating actions identified in relation to the newly identified risk on the cost of living crisis, members highlighted reference to the development of a Financial Inclusion Dashboard, on which further details were requested. In response the Committee was advised that the dashboard had been developed to draw together data from various sources which could then be used (in an intelligent way) to identify and target support and areas for intervention as well as provide a strategic oversight for senior management. Examples of targeted interventions to date had included pop up community hubs and advice clinics to support residents in identified areas of greatest need. Members were keen to explore use of the dashboard in more detail and as a result requested that further details be provided at a future meeting on the content of the Financial Inclusion Dashboard and how this was being used as a means of providing an overview and targeting support in relation to the cost of living crisis. (*Action: Peter Gadsdon/Sadie East*)

As no further issues were raised the Chair thanked officers for the report and the Committee **RESOLVED**, subject to the actions identified during the meeting and set out above, to note the contents of the report.

## 9. Treasury Management Outturn Report

Amanda Healy, Head of Finance, introduced a report updating members on Treasury Management activity and providing confirmation that the Council had complied with its Prudential Indicators for 2021/22.

Key issues highlights were as follows:

- The economic background in relation to the current outturn position. These included the continuing economic challenges from the pandemic recovery which had been further exacerbated by the war in Ukraine and sharp increases in both inflation and interest rates.
- Members were updated that CIPFA had published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021, which included key changes around permitted reasons to borrow, knowledge and skills and the management of non-treasury investments with a view to supporting transparency in reporting. In addition, HM Treasury had issued revised guidance in August 2021 relating to the Public Works Loan Board (PWLB) lending facility, which now included 12 examples of permitted and prohibited use of PWLB loans (including the purchase of investment assets primarily for yield). Members noted that the Council, as permitted, had delayed introducing the revised reporting requirements within the Prudential Code until the 2023/24 financial year.

- In terms of a local context, the Committee were advised that the Council's total level of borrowing as of 31 March 22 was £684.6m arising from its revenue and capital income and expenditure with the underlying need to borrow for capital purposes measured through the Capital Financing Requirement (CFR). It was noted that borrowing had increased slightly over the past year, in order to meet the requirements of the Council's long term Capital Investment Programme. Having considered the appropriate duration and structure of the projected borrowing requirement the Council's borrowing strategy included a combination of both short term borrowing and long term repayment loans with a mixture of loan structures. Whilst this had involved the Council borrowing through a range of long-term fixed rate loans lower cost solutions (recognising the current challenges in terms of interest rates) were also being pursued with details on the breakdown of current loans provided in section 7.4 of the report.
- Members noted the update provided in relation to other debt activity, as detailed within sections 7.7 – 79 of the report.
- In terms of investment activity, the Committee noted the current investment position as detailed within section 8.2 (Table 4) of the report, with the total balance of investments as at 31 March 22 £98.6m. In noting the prudential requirements within the CIPFA Code, the Council's objective in terms of investment had remained to strike an appropriate balance between risk and return in order to minimise the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Given the low interest rate environment and level of borrowing required the approach had been focussed on holding short term investments, providing the Council with improved liquidity, alongside the holding of funds with high credit ratings in order to provide increased security over the Council's investment portfolio.
- In addition. Members noted the level of non-Treasury investments held by the Council, which totalled £213.5m split between shareholding in subsidiaries and loans to subsidiaries in the form of i4B Holdings Ltd and First Wave Housing.

The Chair then invited the Committee to raise questions on the report, with the responses summarised as follows:

- Officers confirmed that the Council had strategies in place to implement the revised CIPFA Prudential Code for Capital Finance and Treasury Management Code effectively with it confirmed that the implementation of both codes was not likely to incur any additional costs to the Council.
- Further details were sought on the potential impact of the requirement within the revised Prudential Code in terms of authorities not being allowed to borrow to invest primarily for financial return and the type of activities covered, with concerns highlighted around how this may relate to objectives in supporting community wealth building. Confirmation was provided that the Council had not borrowed or planned to borrow to invest primarily for commercial return so would be unaffected by these changes to the Code, however, in order to provide further assurance it was agreed to provide Councillor Chan (as Vice-Chair) with further details outside of the meeting on the definition within the Prudential Code around not borrowing to invest primarily for financial return and how this related to objectives in supporting community wealth building (along with examples). (*Action: Minesh Patel/Amanda Healy*)

- In response to a query regarding the financial modelling undertaken in relation to the Treasury Management Strategy, the Committee were advised that Treasury Management activity was conducted in accordance with the CIPFA framework code of practice and also subject to assessment and review by the Council's independent Treasury Management advisors.
- In response to further details being sought around the borrowing strategy relating to the Council's CFR members were advised that whilst the Council had continued to borrow, where necessary, to meet the funding requirements of the agreed capital programme this had been in conjunction with the use of internal resources, such as usable reserves and working capital. The strategy had also sought, where possible, to diversify funding sources and to evaluate and pursue lower cost solutions and opportunities wherever possible taking account of current market conditions. Given the current volatility in relation to the cost of materials and construction costs members were, however, advised of the risks identified in relation to funding and delivery of the Capital Programme and the increased focus, as a result, in terms of seeking alternative sources and options in terms of borrowing to fund the programme
- In response to a comment regarding the benchmarking undertaken in relation to the credit worthiness of Brent's investments, as detailed in section 8.6 and Table 5 of the report, clarification was provided regarding the progression of the risk and return metrics and how these impacted on the decision making around security and liquidity parameters as a means of informing the approach towards shorter term and longer term investments. In order to provide further background and context, members felt it would be helpful if further details could be provided for the Committee on the criteria relating to the credit rating scores detailed within section 8.6 of the report. (*Action: Minesh Patel/Amanda Healy*)

The Chair thanked officers for the detailed and transparent nature of the report and as there were no further issues raised the Committee **RESOLVED**, subject to the actions identified during the meeting, to:

- (1) Note the 2021/22 Treasury Management Outturn Report in compliance with CIPFAs Code of Practice on Treasury Management ,which was also due to be referred onto Cabinet and Council for consideration.
- (2) Note that for 2021/22 the Council had complied with its Prudential Indicators which were approved by Full Council on 14 June 2021 as part of the Council's Treasury Management Strategy Statement and Capital Strategy Statement.

#### 10. **CIPFA consultation on temporary changes to infrastructure assets accounting**

Ben Ainsworth, Head of Finance, introduced a report that updated members regarding issues identified on the way in which local authorities had been required to account for Infrastructure assets within their statement of accounts and changes that CIPFA were currently consulting upon to address the issue.

Key issues highlighted were as follows:

- Local Authorities were required to complete their Statement of Accounts in line with the CIPFA Code of Practice on Local Authority Accounting, which

required Highways Infrastructure to be broken down in to its component parts. The problem subsequently identified had been that many local authorities did not hold enough historic information to componentise Highways Infrastructure Assets in line with the CIPFA Code of Practice, which had led to issues with the sign off of some authorities accounts for 2020-21.

- In order to remedy the auditing issues that had arisen, CIPFA LASAAC Local Authority Code Board had undertaken a review of the Code of Practice and was now consulting on proposed changes identified (set out within section 3.7 of the report). Given the timing of the consultation, members noted that the draft accounts would therefore be prepared on the assumption that the proposals would be adopted although if significantly modified this may require further changes and delay to the statement of accounts during audit.
- From Brent's perspective, members were advised that the impact of any potential inaccuracy was expected to be minimal as the Council did not use the type of figures subject to review to inform its maintenance or capital works programmes for highways with separate condition surveys used instead to inform these.

In response to a query at the meeting, clarification was provided that the issue related to Highway as opposed to other Infrastructure assets. Given the potential risk identified, however, a further update would be provided as part of the Draft Statement of Accounts on the status of the proposed changes to the CIPFA Code of Practice and any impact in the accounts sign off (*Action: Ben Ainsworth*)

The Chair thanked officers for the update provided and it was **RESOLVED**, subject to the actions identified above:

- (1) To authorise the Director of Finance to respond to the CIPFA consultation on changes to their Code of Practice to address the issue identified.
- (2) To note the risk that should it not be possible for the necessary changes to be made as a result of the consultation, the auditors may be unable to finalise their opinion of the Council's accounts for 2021/22.
- (3) To note that the draft Statement of Accounts would be prepared on the basis that the proposed changes arising from the consultation were adopted.

## 11. **Internal Audit Annual Report, including Annual Head of Audit Opinion**

Darren Armstrong, Head of Audit and Investigations introduced the report which outlined the work undertaken by Internal Audit in respect of delivery of the 2021-22 Internal Audit Plan. Members were advised that the report had been provided in order to provide assurance about the Council's framework of governance, risk management and internal control.

In considering the report the Committee noted the annual opinion provided by the Head of Audit on the Council's overall arrangements for its systems of internal control, risk management and governance which had been rated as "reasonable assurance". The basis of the opinion had been detailed within the Annual Report, attached as Appendix 1 the Committee report. Whilst some high risk rated audit recommendations had been identified as a result of individual audit reviews, these had been broadly isolated to specific systems or processes with no critical risk

issues raised in-year. Members noted the opinion as being consistent with that provided in previous years.

In considering the detailed updates included within the Annual Report in relation to status and delivery of the 2021-22 Plan, the summary of completed audits in Q4 2021-22 and summary of follow up activity, responses were provided on the following issues raised:

- Members welcomed completion of the audits in relation to the Council's key financial controls (following Oracle Cloud implementation) and in relation to the Council's companies and governance arrangements with it noted that the final outcomes were due to be reported to Committee as part of the Q2 Internal Audit Plan Monitoring update. The draft reports had contained a range of medium and low risk actions which, whilst not identifying any significant issues had been focussed on enhancing controls and best practice. *(Action: Darren Armstrong)*
- Officers confirmed the Fire Safety Audit initially included within the 2021-22 Plan would now be carried forward within the 2022-23 Plan with outcomes to be reported back to the Committee upon completion of the review, currently scheduled as part of the Q2 progress update. *(Action: Darren Armstrong)*
- Focussing on the summary of audits completed in Q4 2021-22 clarification was provided that the audit review on Leaseholder Repairs had been focussed on the arrangements in place around Housing Management Landlord responsibilities for Council Leaseholders rather than those managed through the Council's subsidiary companies. It was, however, recognised that scope existed to apply the key findings across these arrangements as well. In terms of timescale for implementation of the findings it was noted that these would be provided once the final management response had been provided.
- In response to a Committee question regarding the management of the two high risk findings in relation to cyber security, officers highlighted that no gaps had been identified within controls with the findings designed to enhance the existing arrangements already in place to mitigate risks.
- In terms of follow-up activity, whilst recognising the slippage in some areas as a result of core activity needing to be refocussed in support of the response to the pandemic, members were advised of the efforts and programme in place to progress this work. No specific concerns were identified in relation to persistent non-compliance or implementation, with the Committee assured of the mechanisms in place to address such issues, should the need arise.

The Chair thanked Darren Armstrong and his team for the work undertaken and update provided and it was **RESOLVED**, subject to the actions identified above, to note the contents of the report.

## 12. **Annual Counter Fraud Report**

Darren Armstrong, Head of Audit & Investigation, introduced the report summarising the counter fraud activity that had been undertaken in 2021-22 and also the refresh of the related policies covering Anti-Fraud & Bribery, Anti Money Laundering and Whistleblowing.

In considering the report the following key issues were noted:

- The summary of numbers and types of internal and external fraud referrals for 2021-22 as detailed within Table A and Table C of the report.
- The broad range of proactive counter fraud activity for 2021/22 as summarised in Table D of the report.
- The robust nature of both reactive and proactive counter fraud activity with referral levels having remained largely stable and any notable differences mainly attributable to the pandemic.
- The range of additional counter fraud activity in which the Counter Fraud team were also engaged, which included ongoing work to seek membership of the Enhanced Internal Fraud Database, joining the London wide NFI FraudHub, update of the Council's counter fraud related policies and refresh of the fraud prevention, bribery and corruption e-learning packages for Council staff.
- The notional and actual savings identified as a result of counter fraud activity as summarised in Table E of the report, which (in addition to the preventative work being undertaken) it was also felt demonstrated the positive impact the Counter Fraud Team was having across the council and in relation to the protection of the public purse.

The Chair then invited the Committee to raise questions on the report, with the responses summarised as follows:

- In response to a Committee question regarding when the Enhanced Internal Fraud Database (EIFD) would become active, members were advised that work was ongoing with HR and recruitment to prepare for a go-live date in 2022-23. The Committee were advised that a further update would be provided once the preparatory work had been completed. (*Action: Darren Armstrong*)
- In response to a query regarding the number of referrals being received in relation to bribery and corruption and the type of sanctions available as a result of fraudulent activity being identified involving staff, members were advised that the number of referrals was broadly consistent with previous years, with the ability to report any significant issues to the committee. In terms of sanctions, these would be determined by the type of offence committed and nature of any breach of the Officer code of Conduct.

As no further queries were raised, the Chair thanked officers for the comprehensive nature of the update and ongoing counter fraud activity being undertaken and the Committee **RESOLVED**, subject to the actions identified above, to note the contents of the report.

## 13. External Audit Plan

### 13.1 London Borough of Brent External Audit Plan (year ending 31 March 2022)

Sophia Brown, Director, Grant Thornton (External Auditor), introduced a report detailing the London Borough of Brent's External Audit Plan for the year ending 31 March 2022.

Key issues highlighted were as follows:

- The key matters identified as background to the Audit Plan, which had included as mentioned earlier in the meeting the accounting of Infrastructure Assets and implementation of the new Oracle Cloud Fusion system.
- The scope of the Audit Plan and significant risks identified as requiring special audit consideration. This had included, as a newly identified risk the new system implementation of the Oracle Cloud Fusion system and associated data migration. Based on the audit activity undertaken to date around implementation of the Oracle Cloud Fusion system only one area of significant risk had been identified to date relating to the potential for material misstatement as a result of system migration at financial statement level with the new fixed asset module set up to record capital transactions in only one rather than 12 periods. It was noted, however, that mitigations were in place involving manual adjustments in order to address the risk identified.
- The update provided in relation to planning materiality, which had been determined as £17.072m (PY £16.176m) for the group and £16.9m (PY £16.1m) for the Council, which equated to 1.5% of prior gross expenditure for the year with “clearly trivial set at £0.845m (PY £0.8m).
- No risk of significant weaknesses had been identified as a result of Grant Thornton’s initial planning work in relation to Value for Money with activity ongoing to conclude the review of arrangements prior to the final Auditor’s Annual Report being issued. Members were advised that a final visit was scheduled in July 2022 with the audit due to be completed by September 2022.
- The revised Auditing Accounting Estimates and Related Disclosures which had been issued by the Financial Reporting Council, the requirements of which had been applied for the first time to the current audit process. Members noted the scope of additional information required under the new requirements.
- The range of other audit responsibilities undertaken by Grant Thornton as the Council’s External Auditors, along with outline of the current and proposed audit fee.

The Chair then invited the Committee to raise questions on the report, with the responses summarised as follows:

- In response to a query regarding implementation of the Oracle Cloud Fusion system, members were advised that Phase 1 had been successfully completed in October 2021 with work now underway to implement Phase 2. Whilst recognising the focus in relation to data migration, officers advised that the remaining Phase 2 implementation would not be expected to have any material impact on production of the Council’s final accounts. In view of the issues raised it was agreed that the Committee continue to be kept updated on the progress with regards to the Oracle data migration (in particular, the fixed asset module) and any impact on the year-end review of accounts. (*Action: Rav Jassar*)
- In terms of the progress made against the implementation of prior year audit recommendations, Grant Thornton advised members they had no concerns and endorsed the progress made.
- In relation to a query regarding audit fees, members noted that the appointment of the Council’s External Auditors was undertaken through an independent procurement process to which the Council had opted in managed

through Public Sector Audit Appointments (PSAA). In noting the recent changes in the local audit market and regulatory requirements and their impact in relation to the scope of audit work required, the approach delivered through the PSAA was felt to have delivered a realistic specification and fee for the required level of audit activity working with the market. The Council had opted in to the same sector led arrangement for the appointment of its next external auditors from 1 April 23, with members advised that 98% of bodies eligible had opted into the previous national arrangements, which had attracted competitive bids from audit firms. In terms of benchmark data regarding audit fees, Members were keen to compare the level of fees charged across other comparator authorities and the way in which the scale of fees was structured under the PSAA scheme. It was therefore agreed that benchmark data on external audit fees would be provided for the Committee based on five other comparator boroughs who had also opted in to the PSAA scheme. *(Action: Minesh Patel)*

As no further issues were raised the Chair thanked Grant Thornton for their report which the Committee **RESOLVED** to note, subject to the actions identified above.

### **13.2 London Borough of Brent Pension Fund External Audit Plan (year end 31 March 22)**

Reshma Ravikumar, Grant Thornton External Auditor, introduced a report detailing the London Borough of Brent's Pension Fund External Audit Plan for year ending 31 March 2022.

Key issues highlighted were as follows:

- The key matters identified as background to the Audit Plan, which had included as mentioned earlier in the meeting implementation of the new Oracle Cloud Fusion system.
- The scope of the Audit Plan and significant risks identified as requiring special audit consideration. This had also included, as a newly identified risk the new system implementation of the Oracle Cloud Fusion system and associated data migration.
- The update provided in relation to planning materiality, which had been determined as £10.31m (PY £10.3m) for the Pension Fund, which equated to 1% of prior year net assets with "clearly trivial set at £0.5m (PY £0.5m).
- The interim audit visit had taken place in March 2022 with the final visit due to take place between July and September 2022.
- The current and proposed audit fee along with the IT audit strategy, which would include a streamlined assessment of the IT general controls in relation to the Pension Fund Administration.

The Chair then invited the Committee to raise questions on the report, with the responses summarised as follows:

- Further details were sought on the level of Pension Fund audit fee when compared to that charged for the Council's main audit work. In response members were advised that the lower fee related to the scope and complexity

of audit work required in relation to the Fund, which was focussed on a single service.

As no further issues were raised the Chair once again thanked Grant Thornton for their report which the Committee **RESOLVED** to note.

14. **Review of the Committee's Forward Plan**

It was **AGREED** to note the Committee's Forward Plan and work programme for 2022-23.

Members were advised that a series of potential changes to meeting dates during 2022-23 had been identified, with any changes to be confirmed following consultation with the Chair, Vice-Chair and officers outside the meeting.

15. **Any other urgent business**

None.

The meeting closed at 7.55 pm

DAVID EWART  
Chair