



## Audit and Standards Advisory Committee

**Tuesday 7 June 2022 at 6.00 pm**

Conference Hall - Brent Civic Centre, Engineers Way, Wembley, HA9 0FJ

Please note that this meeting will be held as an in person physical meeting with all Committee members required to attend in person.

The meeting will be open for the press and public to attend or alternatively can be followed via the live webcast. The link to follow proceedings via the live webcast is available [HERE](#)

### Membership:

#### Members

David Ewart (Chair)

#### Substitute Members

#### Councillors:

Chan (Vice-Chair)  
S. Butt  
Choudry  
Kabir  
Long  
J. Patel  
Smith

#### Councillors:

Afzal, Agha, Begum, Gbajumo, Molloy and Shah

#### Councillors:

Kansagra and Mistry

#### Independent Members

Javed Ansari  
Mark Mills

#### Independent Advisor

Vineeta Manchanda

**For further information contact:** Andrew Phillips, Governance Officer  
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**

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

**2 Declarations of Interest**

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.

**3 Deputations (if any)**

To hear any deputations received from members of the public in accordance with Standing Order 67.

**4 Minutes of the previous meeting** 1 - 10

To approve the minutes of the previous meeting, held on 15 March 2022, as a correct record.

**5 Matters arising (if any)**

To consider any matters arising from the minutes of the previous meeting.

## Standards Items

**6 Standards Report (including Gifts and Hospitality)** 11 - 28

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

**Ward Affected:**  
All Wards

**Contact Officer:** Debra Norman  
Director of Legal, HR, Audit & Investigations  
Tel: 020 8937 1578  
Email: [Debra.Norman@brent.gov.uk](mailto:Debra.Norman@brent.gov.uk)

Bianca Robinson  
Senior Constitutional & Governance Lawyer  
Tel: 020 8937 1544  
Email: [Bianca.Robinson@brent.gov.uk](mailto:Bianca.Robinson@brent.gov.uk)

## Audit Items

### 7 Annual Governance Statement 29 - 46

This report sets out the draft Annual Governance Statement (AGS) for 2021/22 as required by the Accounts and Audit Regulations 2015.

The AGS is being presented to the Audit & Standards Advisory Committee for consideration, prior to formal approval by the Audit and Standards Committee.

(Agenda republished to include the attached report on 1 June 2022)

**Ward Affected:**

All Wards

**Contact Officer:** Debra Norman

Director of Legal, HR, Audit & Investigations

Tel: 020 8937 1578

Email: [Debra.Norman@brent.gov.uk](mailto:Debra.Norman@brent.gov.uk)

### 8 Strategic Risk Register 47 - 64

This report provides an update on the Council's Strategic Risk Register.

**Ward Affected:**

All Wards

**Contact Officer:** Darren Armstrong

Head of Audit & Investigations

Tel: 020 8937 1751

Email: [Darren.Armstrong@brent.gov.uk](mailto:Darren.Armstrong@brent.gov.uk)

### 9 Treasury Management Outturn Report 65 - 86

This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2021/22.

(Agenda republished to include the attached report on 1 June 2022)

**Ward Affected:**

All Wards

**Contact Officer:** Amanda Healy

Head of Finance

Tel: 020 8937 5912

Email: [Amanda.Healy@brent.gov.uk](mailto:Amanda.Healy@brent.gov.uk)

### 10 CIPFA consultation on temporary changes to infrastructure assets accounting 87 - 90

This report updates Members on how local authorities account for Infrastructure assets, following the CIPFA consultation on temporary changes to infrastructure assets accounting.

**Ward Affected:**  
All Wards

**Contact Officer:** Minesh Patel  
Director of Finance  
Tel: 020 8937 4043  
Email: [Minesh.Patel@brent.gov.uk](mailto:Minesh.Patel@brent.gov.uk)

**11 Internal Audit Annual Report, including Annual Head of Audit Opinion** 91 - 122

This report outlines the work undertaken by Internal Audit in respect of delivery of the 2021-22 Internal Audit Plan and also includes the Head of Internal Audit's annual opinion on the Council's system of internal control.

(Agenda republished to include the attached report on 1 June 2022)

**Ward Affected:**  
All Wards

**Contact Officer:** Darren Armstrong  
Head of Audit & Investigations  
Tel: 020 8937 1751  
Email: [Darren.Armstrong@brent.gov.uk](mailto:Darren.Armstrong@brent.gov.uk)

**12 Annual Counter Fraud Report** 123 - 130

The report sets out a summary of the counter fraud activity undertaken in 2021/22, and also the refresh of the related policies covering Anti-Fraud & Bribery, Anti-Money Laundering and Whistleblowing.

**Ward Affected:**  
All Wards

**Contact Officer:** Darren Armstrong  
Head of Audit & Investigations  
Tel: 020 8937 1751  
Email: [Darren.Armstrong@brent.gov.uk](mailto:Darren.Armstrong@brent.gov.uk)

**13 External Audit Plan**

To receive and consider the following papers from Grant Thornton as the Council's external auditors:

13.1 London Borough of Brent External Audit Plan for year ending 31 March 2022 131 - 156

13.2 London Borough of Brent Pension Fund External Audit Plan for year ending 31 March 2022 157 - 176

(Agenda republished to include updated versions of both the above reports on 6 June 2022)

**Ward Affected:**  
All Wards

**Contact Officer:** Sophia Brown  
Senior Audit Manager, Grant Thornton  
Tel: 020 7728 3179

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

177 - 178

To review and note the Committee's Forward Plan

**15 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 her representative before the meeting in accordance with Standing Order 60.

**Date of the next meeting: Tuesday 26 July 2022**



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and limited seats will be available for members of the public. Alternatively it will be possible to follow proceedings via the live webcast [HERE](#)



**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE**  
**Held in the Conference Hall, Brent Civic Centre, on Tuesday 15 March 2022 at 6.00 pm.**

**PRESENT** David Ewart (Chair) and Councillors Johnson, Kansagra and Long.

Independent Advisor: Vineeta Manchanda

Independent Members (in remote attendance): Mark Mills

Also present (in remote attendance): Councillor McLennan (Deputy Leader & Cabinet Member for Resources).

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

Apologies for absence were received from Councillors Akram, Donnelly Jackson, Lo and Naheerathan.

**2. Declarations of Interest**

None.

**3. Deputations (if any)**

None.

**4. Minutes of the previous meeting**

It was **RESOLVED** that the minutes of the previous meeting held on 31 January 2022 be approved as a correct record.

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

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

Members were updated that Full Council had agreed to proceed with the invitation from Public Sector Audit Appointments (PSAA) to opt into the sector led option in relation to the appointment of external auditors from 2023/24.

**6. Standards Report (including gifts and hospitality)**

Debra Norman, Director 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:

- No gifts or hospitality had been registered by Members since October 2021.
- All mandatory training had been completed by Members, with the exception of Data Protection/GDPR training, which 13 Members had still to complete. This was noted as being an important training module, given Members' role as their own data controller.

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

- It was clarified that Councillor Johnson had completed his mandatory GDPR training, which was noted.
- In terms of the mandatory training to be completed by members returned as part of the Council's new Administration following the local elections in May 2022, members were advised that a number of sessions had been included as part of the Member Induction Programme for these.
- Considering reasons for Members not completing mandatory training, it was asked whether this training could be carried out in person. It was highlighted that where Members had struggled to complete training online, they had been invited to the Civic Centre to complete training in person.

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

## 7. **Annual Standards Report 2021**

Debra Norman, Director of Legal, HR, Audit & Investigations, introduced the item which presented the Monitoring Officer's Annual Report to the Audit and Standards Advisory Committee (ASAC) for 2021. The report provided an update on Member conduct issues and the work of the Audit and Standards Advisory Committee, the Audit and Standards Committee (ASC) and the Monitoring Officer during 2021.

In considering the report the Committee noted:

- In terms of the Audit and Standards Advisory Committee, this had met five times during 2021 in order to discuss matters relating to standards, policy and procedure, and gifts and hospitality. Details of the range of issues considered had been set out in section 3.1 of the report.
- During January to December 2021, the Audit and Standards Committee had met on three occasions to discuss and ratify the annual governance statement, the statement of accounts and changes to the Financial and Procedural Rules governing the Mayor's Charity Appeal.
- The appointment of new Independent Persons and co-opted members which had been undertaken during 2021. One Independent Person (Nigel Shock) was due to stand down in May 2022, with a recruitment process currently underway to fill the position, once it became vacant.
- In terms of complaints against members, nine had been received during 2021. Of these three had been resolved at initial assessment stage without requiring the involvement of an Independent Person and none had been upheld.
- The update provided in relation to Gifts and Hospitality and low number of declarations as a result of the lockdown and other restrictions during the pandemic.

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

- In terms of complaints against members further clarification was sought on the apologies provided for aspects of their behaviour by two of the councillors complained against and how this related to no cases being upheld. It was explained that when a Member had formally apologised in response to a complaint this was taken into consideration as part of the overall final assessment.
- Though the complaints only amount to a small number, it was asked whether there were any trends or patterns that had emerged, and it was responded that there was no general trend observed.

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

## 8. **Annual Review of the Member Development Programme and Members' Expenses**

Katie Smith, Head of Executive and Member Services, introduced a report providing a summary of the Member Learning Development (MLD) Programme since the last report to the Committee in March 2021; and information regarding the Members' Expenses Scheme.

In considering the report the Committee noted:

- Since the previous report in March 2021, 24 Member Learning & Development sessions had been delivered four of which had been compulsory. Despite the challenges, the delivery training had continued during the pandemic involving a shift to online sessions via Zoom and MS Teams. The use of these online digital platforms for training and also meetings had not resulted in any security breaches whilst still enabling interactive sessions to be provided and increased participation among Members. From May 2022 (following removal of covid restrictions) the plan was to run mixture of face to face and online training sessions with sessions focussed on skills development or where networking would be key, face to face formats would be used.
- The key role played by the Member Learning and Development Steering Group in providing a lead along with constructive input and evaluation on the effectiveness of the Member Training and Development Programme.
- The use of feedback to help shape and develop the Member Development Programme with the approach also subject to regular review by an external assessor (the Local Government Association and London Councils). The Council was most recently assessed in November 2021 with the assessment concluding that Brent Council continued to meet the standard of the Councillor Development Charter Plus, the highest award available. Whilst the assessment highlighted the continued success and commitment to member development across the Council and lead provided through the Member Development Steering Group a number of areas for suggested improvement were also highlighted. These included – the inclusion of face to face sessions within the induction programme to encourage networking; the prioritisation of

- new councillors and those with specific responsibilities when formulating Personal Development Plans; develop corporate ownership of the mentoring programme; the tailoring of sessions for different groups of councillors and considering the establishment of individual accreditation for councillors.
- In regards to Member Expenses, detailed of expenses claimed had been provided within Appendix 3 of the report with the majority relating to childcare costs given the restrictions on travel and in person meetings due to the pandemic.
  - Following on from the update provided in relation to completion of mandatory training as part of the quarterly standards update report, the proposal to introduce an “Acceptable Use Statement” for councillors to sign when receiving their new IT devices following the local election in May 2022. This would require members to agree to complete their mandatory training, including Data Protection/GDPR, or risk having IT access blocked recognising the increased focus on compliance around issues related to GDPR and cyber security.

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

- In relation to the Council’s mentorship programme, it was asked whether this had been assessed as part of the review. It was clarified that this had been reformed to a ‘buddy’ system in order to make the scheme more approachable for new Members.
- In terms of the overview provided within Appendix 1 of the report relating to the upcoming member learning and development sessions and development of the programme following the local elections in May 2022 members were keen to ensure this included provision on effective chairing and conduct at meetings.
- Whilst welcoming development of the proposed “acceptable use statement” members were keen to ensure members completion of the necessary mandatory training was kept under, particularly due to the sensitivity related to data which was handled by Members.

As no further issues were raised, Officers and Members were thanked for their efforts and it was **RESOLVED**

- (1) To note the work being planned by the Member Learning and Development Steering Group in ensuring effective training and development for Brent’s elected representatives (as detailed within Appendix 1 of the report) alongside Member feedback on training and support received so far.
- (2) To approve to the introduction of an ‘acceptable use statement’ obliging members to complete annual mandatory training on data protection (as detailed within section 5.4 of the report).
- (3) To note that the Council had received London Councils’ Councillor Development Charter Plus accreditation in December 2021 and the positive feedback received as part of the assessment process. (as detailed within Appendix 2 of the report).

- (4) To note the expenses claimed by Members in the course of their work in 2021-22 (as detailed within Appendix 3 of the report).

## 9. **Review of the use of Regulation of Investigatory (RIPA) Powers**

Debra Norman, Director of Legal, HR, Audit and Investigations, introduced a report detailing the Council's use and conduct of surveillance techniques in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000; and complies. In presenting the report, Members were advised that this was in compliance with the obligation to undertake an annual review as set out in Brent Council's RIPA policy and procedures.

In considering the report the Committee noted:

- That the Council was subject to periodic inspection by the Office of Surveillance Commissioners (now superseded by the Investigatory Powers Commissioner's Office) with these focused on RIPA policies, procedures and practice. The last inspection had been undertaken on the 9 March 2020, when it was noted that the Inspector had been very impressed with Brent, with no recommendations having arisen from the inspection.
- The Monitoring Officer was also required to keep the Council's RIPA policy and procedures under review with Audit & Standards Advisory Committee also undertaking a formal scrutiny role in terms of use of RIPA.
- In terms of the current review period no changes had been proposed to the current policy and there had been no RIPA Directed Surveillance or Covert Human Intelligence Source (CHIS) authorisations sought.

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

- Clarification was sought as to whether the use of video/security doorbells fell within the remit of RIPA powers with members advised they would not, although details would need to be sought regarding how these were monitored.
- In terms of work to support the police members were advised that whilst RIPA powers were usually sought in relation to Council activity, there was scope to use in support of investigations being undertaken with the Police. Members noted, however, that the predominate use of RIPA powers was currently focussed around trading standards enforcement activity e.g. test purchases of age restricted products and more occasionally in the context of serious fraud investigations.

As no further comments were raised the Chair thanked Debra Norman for the update and it was **RESOLVED** to note the contents of the report.

## 10. **To review performance and management of i4B Holdings Ltd and First Wave Housing Ltd**

### 10.1 **Report from Chair of I4B Ltd**

Martin Smith, Chair of I4B Holdings Ltd, introduced the report providing an update on i4B Holdings Ltd.'s recent performance, 2022-23 Business Plan, risk register, accounts outturn, development strategy and audit arrangements.

In considering the report the Committee noted:

- As at December 2021 i4B had housed 364 families within Brent, the majority of whom had previously been accommodated within Temporary Accommodation, highlighted the ongoing social benefit of the operation of the company.
- In the last 18 months, i4B had expanded to provide accommodation to Key Workers in Brent at less than the market rate, which comprised of 153 units located within Wembley Park.
- It was forecast that i4B would, from the next financial year, move into operational profit enabling further investment in the supply of good quality which properties.
- The update provided in terms of operational performance, with the two main issues identified being major void re-let times and rent collection. Work was ongoing with Brent Housing Management (BHM) to improve performance in relation to void re-let times based around implementation of a voids improvement action plan on which progressed continued to be closely monitored. In terms of the reduced performance in rent collection levels this was subject to further investigation in order to identify reasons and the main drivers in terms of arrears with current processes due to be reviewed in order to identify any improvements, particularly given the impact of the current cost of living crisis and the risks posed in relation to modelling of the business plan.
- The risk profile of i4B, which had been adjusted to reflect the company now operating as a sustainable rather than newly established venture and with the main risks identified as detailed within Appendix 1 of the report.
- Looking forward, the development of the 2022-23 Draft Business Plan and Development Strategy reflecting the strategic objectives and key priorities for the company across 2022-23 which included not only continuing to increase the supply of affordable housing and delivery of safe and sustainable homes but also addressing the supply of accommodation for large families, as well as supporting individuals and families with disabilities.

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

- In clarifying the terms of i4B's loan agreement with the Council, members were advised that the loan charges reflected the cumulative costs since the establishment of i4B and were not a new cost.
- In terms of the business model, it was noted that it was more prudent for i4B to purchase properties, as it was not bound by the same conditions imposed upon the Council with the strategy structured on a commercial basis.
- Querying the cost of upgrading energy performance of properties, it was asked what impact this would have on i4B. In response, members were advised this had been recognised as an issue with modelling undertaken to assess the most cost effective way of undertaking the works.
- In response to a query, further clarification was provided in relation to the financial benefits received by the Council in relation to operation and the

- funding of i4B, with specific focus on the reduction in costs relating to use of temporary accommodation.
- In relation to the performance issues identified around rent collection levels and arrears, it was felt this had been mainly driven as a result of the pandemic with the potential to be further exacerbated as a result of the cost of living crisis.
  - It was asked for the number of voids in i4B's portfolio, and it was confirmed that this number currently totally 80 properties, with 60 of these being newly purchased.
  - Noting the risks and challenges including rising inflation and the impact of the cost of living crisis, details were sought on the extent to which these had been forecast over the longer term. On the basis that rents would also continue to increase, it was noted that inflation was not expected to represent a major risk. i4B's borrowing costs were also fixed over the long-term, which provided assurance against rising interest rates.
  - When asked whether gas safety performance levels were an issue, it was noted that this had been reflected within the risk register with mitigating actions in place to address the issue.
  - With the global rise in energy prices details were sought as to whether these costs had been forecasted as part of future financial forecasts. Given the recent nature of events in Ukraine these were still to be fully factored into development of the Business Plan.

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

## **10.2 Report from Chair of FWH Ltd**

Martin Smith, Chair of FWH Ltd, introduced the report providing and update on First Wave Housing (FWH) Holdings Ltd.'s recent performance, Business Plan 2022-23, risk register and audit arrangements.

In considering the report the Committee noted:

- The difference between FWH and i4B which whilst operating as separate entities were both wholly owned by the London Borough of Brent and consisted of the same Board Members. In terms of FWH's role in supporting the pursuit of Brent's housing objectives the company was more focused on housing management, with a secondary role as a registered housing provider.
- The current breakdown of housing stock managed through FWH, which now included the transfer of properties at Granville New Homes, as detailed within section 35 – 3.6 of the report.
- The update provided in terms of operational performance, which the main focus in relation to improvement of void turnaround times and repairs with a series of improvement actions and robust performance management having been implemented.
- Financially, FWHs position was relatively stable, with the company turning over a profit, before depreciation, of around £1 million per year. It was updated that during the current year this was lower than normal, due to the costs associated with the Waking Watch as part of the programme of fire safety measures.

- Looking forward, the development of the 2022-23 Draft Business Plan and Development Strategy reflecting the strategic objectives and key priorities for the company across 2022-23 which (as for i4B) included not only continuing to increase the supply of affordable housing but also delivery of safe and sustainable homes and provision of a consistently good housing service.
- The risk update provided in relation to FWH which, as detailed within Appendix 1 of the report, were broadly similar in scope to those outlined for i4B.

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

- Clarification was sought as to why the repair issues identified at Granville New Homes had not been flagged as an earlier risk. In response the Committee was advised that the full extent of works required at the Granville New Home Blocks had only become clear following extensive investigations commissioned on behalf of FWH. Once identified work had been carried out to identify a solution that would allow the works to be completed as effectively and quickly as possible whilst also maintaining the viability of FWH which approval now having been obtained to the progress the solution in a way that was also affordable for the Council's HRA and General Fund and also maintained the rights and rents of tenants. Details of the approach which had been agreed were set out in section 5 of the report.
- In response to concerns previously highlighted around fire safety at Granville New Home Blocks and the installation of fire safety measures, the Committee was advised that a waking watch had been introduced in order to address the risks identified.
- In relation to the rating of the risks identified in relation to enhanced legal standards relating to H&S compliance members were advised that further details would be sought as to why these scores were higher within the FWH risk register than for i4B.
- In reference to consultation with residents on Granville New Homes proposals, it was asked whether this had resulted in a reduction in rental costs to residents, to which it was confirmed that it had not.

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

#### 11. **Draft Internal Audit Strategic Plan and Counter Fraud Plan for 2022/23**

Darren Armstrong, Head of Audit and Investigations, introduced a report which set out the draft Internal Audit Strategic Plan, and the Counter Fraud Plan for 2022-23.

In considering the report the Committee noted:

- Both plans set out how the Internal Audit and Counter Fraud functions would seek to deploy and utilise their resources in the year ahead.
- The Internal Audit plan had been incorporated as part of a wider Internal Audit Strategic Plan, as per best practice guidance. The plan had been developed in collaboration with Strategic Directors senior officers in order to address the statutory requirements and keys risks identified for the Council. Development

had also included a review of departmental risk registers and Internal Audit Programme in order to ensure the Plan (as detailed within Appendix 1 of the report) had been aligned with available resource within the Internal Audit service.

- The Internal Audit Plan also contained an assurance map, which detailed Internal Audit coverage across the Council's strategic risks (as at summer 2021) from 2018-19 to 2022-23. The alignment of the audit plan and the work of Internal Audit to the Council's strategic risks represented good practice and helped to demonstrate how Internal Audit added value.
- In terms of the Counter Fraud Plan (as detailed within Appendix 2 of the report), this had been split between reactive and proactive work. Reactive work largely comprised of referrals from internal, housing and external fraud work, whereas the proactive work was generated from within the service in response to a range of fraud risks including reactive fraud types as well as well as fraud prevention controls.

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

- It was asked how risks around Children & Adult Social Care, Cyber Security and climate issues had been incorporated within the Internal Audit Plan. It was clarified that Cyber Security featured as part of the assurance map, and conversations were ongoing with the other departments and services to ensure that the necessary resource was available to cover the issues highlighted.
- Reference was made to the Casey Review and recommendations relating to the hosting of future large scale events at Wembley Stadium and whether these had been incorporated in any way within the Plan. In response members were advised that these had been used to assist in informing the relevant risk registers as part of the development of the Plan.

As no further issues were raised, it was **RESOLVED** that the Committee approve the draft Internal Audit Strategic Plan and Counter Fraud Plan for 2022-23.

## 12. **External Audit Update- Verbal Report**

Sophia Brown, Senior Manager, Grant Thornton, introduced a verbal update on the progress being made by Grant Thornton as the Council's auditors.

- Members were updated that certification work had been completed for 2021/22, though work around Teachers' Pensions was still to be finalised as a result of evidence needing to be obtained from external payroll providers. Council Officers were liaising with schools to resolve this issue.
- In terms of 2022/23, it was updated that work was underway to carry out risk assessment and planning work, with an audit plan due to be presented to Members at the next Audit and Standards Advisory Committee.

As no issues were raised, it was **RESOLVED** to note the verbal update provided.

## 13. **Review of the Committee's Forward Plan**

It was **RESOLVED** to note the Committee's Forward Plan, and also to note that this would be reassessed ahead of the beginning of the new Municipal Year.

14. **Any other urgent Business**

None.

The meeting closed at 7.28pm

David Ewart  
Chair

 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 7 June 2022
	<b>Report from:</b> <b>Director of Legal, HR, Audit &amp; Investigations</b>
<b>Standards Report (including quarterly update on Gifts &amp; Hospitality, and mandatory training)</b>	
<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not applicable
<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>	1) Appendix A: The Department for Levelling Up, Housing and Communities response to the Committee on Standards in Public Life's (CSPL) report on Local Government Ethical Standards.
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	(1) Debra Norman, Director of Legal, HR, Audit & Investigations (ext. 1578)  (2) Bianca Robinson, Senior Constitutional & Governance Lawyer (ext. 1544)

## 1.0 Purpose of the Report

- 1.1.1 The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members, and the attendance record for Members in relation to mandatory training sessions.
- 1.1.2 The report also updates the Committee in respect of the provisional appointment of an Independent Person for the purposes of Code of Conduct complaints, the Government's response to the Committee on Standards in Public Life review; and a Standard's case involving a Maldon Councillor being removed from Office.

## 2.0 Recommendations

- 2.1 That the Committee note the contents of this report.

### 3.0 Detail

#### Gifts & Hospitality

- 3.1 Members are required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This includes a series of gifts and hospitality from the same person that add up to an estimated value of at least £50 in a municipal year.
- 3.2 Gifts and hospitality received by Members are published on the Council's website and open to inspection at the Brent Civic Centre.
- 3.3 For the final quarter of 2021/22 (Jan – March), there have been no gifts and hospitality recorded as being received.
- 3.4 The Committee will recall that hospitality accepted by the Mayor in their civic role are recorded separately and published on the Council's website.

#### Member Training Attendance

- 3.5 Following the 2022 local elections and Annual Council meeting, the mandatory training for all members is currently underway. Training is due to conclude mid – July. Officers will update the Committee at its meeting on the 26.07.22 with respect to the attendance record for Members in relation to mandatory training sessions.
- 3.6 The Committee is reminded of the following.
  - a) It is a requirement of the Members' Code of Conduct that all members':  
  
*“must attend mandatory training sessions on this Code or Members' standards in general, and in accordance with the Planning Code of Practice and Licensing Code of Practice” para 19.*  
  
*“must attend Safeguarding, Equalities and Data Protection training provided by the council” para 20.*
  - b) The schedule for all mandatory sessions was published and approved at the May 2022 Annual Council meeting.
  - c) All internal training sessions attended by Members are published on the Council's Website and on individual Member profile pages.
  - d) Currently, there are five mandatory training sessions provided for all Members and five mandatory sessions provided for Committee Members and, where appropriate, co-opted Members. These are set out in Table 1 below.
  - e) Mandatory sessions are provided annually and all Committee Members and substitutes are required to attend the relevant session. In addition, all other Members are invited to attend the sessions.

3.7 Table 1

<b>Mandatory Training</b>	<b>Attendee requirement</b>
1) Standards and the Code of Practice	All Members
2) Corporate Parenting & Safeguarding Children	All Members
3) Safeguarding vulnerable adults	All Members
4) Equalities Training	All Members
5) Data Protection Training	All Members
6) Planning	Committee Members only
7) Alcohol and Entertainment Licensing	Committee Members only
8) Scrutiny Induction	Committee Members only
9) Audit & Standards Committee and the Audit & Standards Advisory Committee induction training	Committee Members only
10) Brent Pensions Fund – Approach to responsible investment	Committee Members only

Independent/Co-opted members

3.8 The Committee may recall that a recruitment process for an Independent Person commenced in January 2022. This process has now concluded.

3.9 As the Committee knows, Independent Persons must be chosen in a fair and open manner. They have a statutory role to play in the dealing of conduct complaints about elected and co-opted members of the council. They also have to be consulted as part of the dismissal procedures relating to certain senior officers. The role of Independent Person is defined by section 28(8) of the Localism Act 2011 as follows:

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

3.10 The Committee is asked to note that at its meeting in July 2022 Full Council will be asked to approve the appointment of Julie Byrom as Independent Person until 2026. William Goh and Kier Hopley our existing Independent Persons, will continue in post until 2025.

3.11 This Committee will recall Nigel Shock stood down resulting in the recruitment exercise to find a third Independent Person for the longer term. Unfortunately, Mark Mills, Independent Co-opted member for this Committee has tendered his resignation, effective 30.06.22. Mr Mills has secured a new post overseas and will shortly be moving to Hong Kong to take up a new post. Officers are extremely grateful for all the

work and support both Mr Shock and Mr Mills have provided to this Committee and the work overseen by this Committee and wish them well in their new endeavours.

#### Government Response to the CSPL Review of Local Government Ethical Standards

- 3.12 This Committee will recall the Committee on Standards in Public Life's (CSPL) report on ethical standards in local government was published in January 2019. At that time the CSPL made 26 recommendations, which included various amendments to primary and secondary legislation. In addition, identifying a number of examples of best practice which it considered local authorities could implement without the need for changes to legislation.
- 3.13 This Committee will recall the Local Government Association acted on the CSPL's first recommendation with the implementation of the model code of conduct (published in December 2020).
- 3.14 The Department for Levelling Up, Housing and Communities has now published its response to the Committee on Standards in Public Life's (CSPL) report on Local Government Ethical Standards. A copy of the response is attached as Appendix A. The response outlines the recommendations that the Government will be taking forward to ensure high ethical standards are held across all local authorities.
- 3.15 Officers will consider further the Governments response to the CSPL report in relation to Brent Council and provide an update to this Committee at its next meeting.

#### Maldon Councillor removed from Office

- 3.16 This Committee is responsible for ensuring standards of conduct are maintained in Brent. To assist, and ensure that this committee are kept aware of issues arising elsewhere and have the opportunity to consider if there are any implications for Brent members, the case involving the removal of a Maldon councillor is set out below.
- 3.17 The Joint Standards Committee of Maldon District Council upheld six separate complaints of bullying against Councillor Chrisy Morris. He was also found to have deliberately attempted to undermine the Code of Conduct process, bringing his authority into disrepute.
- 3.18 At a hearing on 6 September 2021, two separate investigation reports dealing with six complaints against Cllr Morris were presented to the Joint Standards Committee. Four of the complaints had been submitted by fellow members of the Council. The final two – which alleged that Cllr Morris had bullied members of staff – were submitted by the Council's Corporate Leadership Team (CLT). With 60 years' service in local government between them, no member of the CLT had ever submitted a complaint against a councillor before.

The allegations included:

- a) disrupting a meeting of the Planning Committee by repeatedly shouting over the chair and calling her "Cruella".
- b) calling a fellow member of the council "old" and "past his best" during a meeting.
- c) persistently singling out an officer for criticism with aggressive and intimidating behaviour.
- d) ambushing another officer at a meeting by taunting him while filming the encounter in a video which was subsequently published on Facebook – and then "liking" a

comment which described the officer as the "worst kind off [sic] human filth we have in our society"

3.19 During one of the investigations, Cllr Morris made repeated attempts to undermine and publicly discredit the process. His behaviour included sharing an extract from a complaint document on his Facebook page while complaining that the Council was "throwing thousands at an investigation that ultimately can't do a thing ..." and livestreaming his investigation interview on Facebook Live – which resulted in the Council having to report a personal data breach to the Information Commissioner.

3.20 The Joint Standards Committee upheld all six complaints, finding that Cllr Morris had bullied the members and officers involved and, in doing so, had brought his office or authority into disrepute. Additionally, the Committee found that Cllr Morris' behaviour during the investigation process showed contempt for the Nolan principles of "accountability" and "integrity" and also brought his office and authority into disrepute.

3.21 This Committee may also find of interest, that during the Joint Standards Committee meeting officers responded to several questions raised, and specifically stated:

a) that publishing conversations was a point of principal and can have a detrimental impact on ability to work well together. The conversation in question related to council business.

b) that breaches of the code also apply to behaviour on social media when presenting as a Councillor.

c) that the use of the word 'corrupt' suggested serious wrong doing and questioned the integrity of Officers. This issue should not have been addressed in the Forum outlined in the report given Officers did not have the right to reply.

d) that there was no requirement to sign the Code of Conduct as it applied to all members by operation of law under the Localism Act 2011.

3.22 In November 2021, a meeting to discuss what sanctions to impose on Cllr Chrisy Morris resulted in the police attending and the meeting being abandoned as a result his persistent interruption (including use of a megaphone). This incident was reported by BBC's Jackie Weaver who condemned Mr. Morris' behaviour as inappropriate: [https://www.bbc.co.uk/news/uk-england-essex-59174940?at\\_medium=RSS&at\\_campaign=KARANGA](https://www.bbc.co.uk/news/uk-england-essex-59174940?at_medium=RSS&at_campaign=KARANGA).

3.23 On 28 February 2022, Mr Morris was:

- given an eight-month prison sentence (suspended for 18 months)
- given a restraining order and 200 hours of unpaid work.
- Ordered to complete 30 days of rehabilitation and pay prosecution costs of £500.

by HHJ Timothy Walker. Under section 80(1) (d) of the Local Government Act 1972, this meant that Mr Morris was automatically disqualified from being a member of the Council.

#### **4.0 Financial Implications**

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

## **5.0 Legal Implications**

5.1 The Council, individual Members and co-opted Members are required to promote and maintain high standards of conduct in accordance with s27 of the Localism Act 2011. The attendance at mandatory training sessions is a means to achieve this and a requirement pursuant to the Brent Members' Code of Conduct as set out in Part 5, of the council's Constitution.

## **6.0 Equality Implications**

6.1 There are no equality implications arising out of this report.

## **7.0 Consultation with Ward Members and Stakeholders**

7.1 Not applicable.

## **8.0 Human Resources/Property Implications (if appropriate)**

8.1 Not applicable.

**Report sign off:**

Director of Legal, HR, Audit & Investigations



Department for Levelling Up,  
Housing & Communities

**Kemi Badenoch MP**

*Minister of State for Equalities and Levelling Up  
Communities*

***Department for Levelling up, Housing and  
Communities***

Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Lord Evans of Weardale, KCB, DL  
Chair Committee on Standards in Public Life  
Room G07  
1 Horse Guards Road  
London  
SW1A 2HQ

Email: [kemi.badenoch@levellingup.gov.uk](mailto:kemi.badenoch@levellingup.gov.uk)

[www.gov.uk/dluhc](http://www.gov.uk/dluhc)

Dear Lord Evans,

On behalf of the Government, I would like to thank the Committee on Standards in Public Life for its report and the recommendations arising from its review of Local Government Ethical Standards, and to all those who engaged with the Committee's work. Attached is the Government response to the Committee's individual recommendations that were directed at Government.

Vibrant local democracies flourish where the reputation of the local authority is held in high regard, where councillors' decision-making is transparent, valued and trusted by the communities they serve, and where people are willing and confident to put themselves forward as potential candidates. The standards and conduct framework within which local authorities operate must drive out corruption and promote commitment to the principles on standards in public life, and tolerance to the differing views of others. In responding to the review, the Government has taken into account the importance of protecting free speech and freedom of association within the law.

The Government is committed to working with local authorities and their representative organisations to ensure that local government is supported in reinforcing its reputation for ethical local standards.

The fact that this review had been conducted in such a collaborative way with the sector has been apparent from the outset and is borne out in the final report. I am keen that Government builds on the sector-wide enthusiasm for improvement.

The Government agrees with the Committee's conclusion that there have been benefits from local authorities being responsible for ethical standards, including the flexibility and

discretion to resolve standards issues informally. However, we also recognise the role of Government in ensuring that the system is robust.

The number of requests for legislation in the Committee's recommendations to strengthen the standards and conduct framework and its safeguards is considerable. As indicated in this response, the Government believes that some of these suggestions do not need a legislative response but can be more appropriately, effectively, and swiftly taken forward by local authorities as best practice. The Committee will recognise that the Government and Parliament has taken a different view on these matters when it legislated for the Localism Act 2011.

I thank the Committee for their work on the review and for their patience whilst Government carefully considered their recommendations, and I personally look forward to continuing to work with you as Government progresses the commitments made in this response with the sector.

Yours sincerely,

A handwritten signature in black ink that reads "Kemi Badenoch". The signature is written in a cursive, flowing style.

**KEMI BADENOCH MP**

**Minister of State for Equalities  
and Levelling Up Communities**

# Government response to the Committee on Standards in Public Life review of local government ethical standards

This Government response confines itself to the Committee's recommendations directed at Government, other than with regards to the first recommendation. The response to recommendations 10, 12, 13, 14 and 16 have been grouped together and therefore appear out of numerical order below.

## **Recommendation 1**

**The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.**

The Localism Act 2011 states that relevant authorities must promote and maintain high standards of conduct by members and co-opted members. It requires these authorities to adopt a code of conduct for their councillors.<sup>1</sup> Authorities can determine the content of their own code of conduct. However, codes must conform to the seven 'Nolan' principles of standards in public life: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. Relevant authorities for the purposes of these requirements include local authorities in England, namely county councils, district councils, London borough councils and parish and town councils.

It is for individual councils to set their own local code, in line with the Act. The Government has previously published a light-touch illustrative code of conduct.

The Local Government Association has worked with sector representative bodies to update its own suggested code of conduct, with the intention that this new suggested code could establish a consistent benchmark that local authorities can amend or add to as they see fit to reflect local circumstances and priorities. The Local Government Association published the updated code of conduct in January 2021. However, it remains a local decision on whether this model code is adopted.

## **Recommendation 2**

**The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.**

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<sup>1</sup> References to councillors in this document also should be deemed to include elected mayors.

This issue was brought up in the Committee's work on intimidation in public life, and the Government has already taken forward several steps in this regard. The Government is open and receptive to further steps to help prevent intimidation.

The Government agrees with the principle behind this recommendation – which safeguards elected representatives - and considers amending the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 would be an option to achieve it.

The Government will engage with interested parties on the best means to ensure that candidates and councillors are not required publicly to disclose their home address.

Notwithstanding, it is important that home addresses are internally registered with monitoring officers, to help avoid conflicts of interest.

### **Recommendation 3**

**Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.**

The Government's view is that it is for individual local authorities to consider if their code of conduct is adequate in addressing the issue of inappropriate use of social media.

As the Government outlined to Parliament in March 2021 on tackling intimidation in public life: 'It is important to distinguish between strongly felt political debate on the one hand, and unacceptable acts of abuse, intimidation and violence on the other. British democracy has always been robust and oppositional. Free speech within the law can sometimes involve the expression of political views that some may find offensive': a point that the Government has recognised in a Department for Education policy paper<sup>2</sup>. But a line is crossed when disagreement mutates into intimidation, which refuses to tolerate other opinions and seeks to deprive others from exercising their free speech and freedom of association.'

It is important to recognise that there is a boundary between an elected representative's public life and their private or personal life. Automatically presuming (irrespective of the context and circumstances) that any comment is in an official capacity risks conflating the two.

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<sup>2</sup> Higher education: free speech and academic freedom Feb 2021  
<https://www.gov.uk/government/publications/higher-education-free-speech-and-academic-freedom>

#### **Recommendation 4**

**Section 27(2) of the Localism Act 2011 should be amended to state that a local authority’s code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.**

The Government agrees that local authority elected representatives should act in good faith in the public interest and not seek to influence decisions for personal gain, for malicious intent or to further the interests of any business or any other organisations which they may be affiliated with.

The Local Government Association have updated their [own suggested code of conduct](#) to state that the code applies when “[a member’s] actions could give the impression to a reasonable member of the public with knowledge of all the facts that [they] are acting as a [member]”.

It is for individual local authorities to ensure that their codes of conducts are regularly updated, comprehensive and fit for purpose. Elected members receive the necessary training to make them aware of their personal responsibilities in upholding the code.

The Government will keep this matter under review but has no immediate plans to amend the regulations.

#### **Recommendation 5**

**The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.**

The electorate must have confidence that the decisions of their elected representatives are being made in the best interests of the community they have been elected to serve. Unpaid roles may need to be declared if it is relevant to council business, and councillors should recuse themselves if necessary if discussions relate to private bodies, they are involved in.

The Government is mindful that councillors have a right to a private life, and rights of freedom of association outside their role as a councillor. It is frequently the case that people in public life have a complex pattern of interests and play a variety of roles with different types of organisations, including community interest groups and charities.

The Government will keep this matter under review but has no immediate plans to amend the regulations.

## **Recommendation 6**

**Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record gifts and hospitality received over a value of £50 or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.**

The Local Government Association's suggested code of conduct published in January 2021 includes a requirement for members to "register... any gift or hospitality with an estimated value of at least £50". However, it did not contain any requirements relating to the total value of gifts or hospitality received from the same source over a sustained period.

Local authorities have the autonomy to set gifts and hospitality requirements in their own codes of conduct. The Government accepts that there is merit in best practice guidance on the thresholds for gifts and hospitality and agrees that a register of gifts and hospitality should be publicly available.

## **Recommendation 7**

**Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, "if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to the matter".**

Section 31 of the Localism Act 2011 requires that a councillor must not participate in a discussion or vote on a matter where they have a disclosable pecuniary interest in any matter to be considered at the meeting. Section 30(3) of the Localism Act 2011 further provides that any relevant pecuniary interests of a councillor's spouse or partner are considered as a disclosable pecuniary interest of the councillor.

The Committee's report reflects concerns that the disclosable pecuniary interest arrangements infringe on the privacy of a councillor's spouse or partner. Where there would be a potential conflict of interest, the principle of integrity requires that any such interests should nevertheless be declared and resolved.

The Government will keep this matter under review but has no immediate plans to repeal Section 31 of the Localism Act 2011.

## **Recommendation 8**

**The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of two years, renewable once.**

The Government does not accept this recommendation as appropriate for legislation on the basis that it would be likely to be unworkable. The Government's view is that it would be more appropriately implemented as a best practice recommendation for local authorities.

In principle, it may be attractive to limit the terms Independent Persons serve to keep their role and contribution "fresh" and avoid them becoming too closely affiliated with the overriding organisational culture. However, discussions with Monitoring Officers indicate that in practice most local authorities would likely find servicing this rate of turnover unachievable. There is frequently a small pool of people capable and willing to undertake the role, who also fit the stringent specifications of being amongst the electorate, having no political affiliation, no current or previous association with the council, and no friends or family members associated with the council.

When local authorities have found effective Independent Persons who demonstrate the capability, judgement and integrity required for this quite demanding yet unpaid role, it is understandable that they may be reluctant to place limitations on the appointment.

## **Recommendation 9**

**The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.**

The Government does not agree with this. The Local Government Transparency Code is a statutory requirement to publish information; it does not regulate the content of councils' minutes or decision notices.

The substantive policy suggestion has merit but will depend on circumstances. In cases where there is no case to answer from an unfounded complaint, it should not necessarily be a legal requirement to publish details of that unfounded complaint.

## **Recommendation 10**

**A local authority should only be able to suspend a councillor where the authority's Independent Person agrees both with the finding or a breach and that suspending the councillor would be a proportionate sanction.**

## **Recommendation 12**

**Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.**

## **Recommendation 13**

**Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.**

## **Recommendation 14**

**The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, an appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.**

## **Recommendation 16**

**Local authorities should be given the power to suspend councillors, without allowances, for up to six months.**

There is no provision in current legislation for a sanction to suspend a councillor found to have breached the code of conduct, and this was a deliberate policy decision by the Coalition Government at the time of the Localism Act 2011 to differentiate from the previous, failed Standards Board regime. The Standards Board regime allowed politically motivated and vexatious complaints and had a chilling effect on free speech within local government. These proposals would effectively reinstate that flawed regime.

It would be undesirable to have a government quango to police the free speech of councillors; it would be equally undesirable to have a council body (appointed by councillors, and/or made up of councillors) sitting in judgment on the political comments of fellow councillors.

On the rare occasions where notable breaches of the code of conduct have occurred, local authorities are not without sanctions under the current regime. Councillors can be barred from Cabinet, Committees, or representative roles, and may be publicly criticised. If the elected member is a member of a political group, they would also expect to be subject to party discipline, including being removed from that group or their party. Political parties are unlikely to reselect councillors who have brought their group or party into disrepute. All councillors are ultimately held to account via the ballot box.

As part of the Government's response to the Committee's report on intimidation in public life, the Government recommended that every political party establish their own code of conduct for party members, including elected representatives.

The Government will engage with sector representative bodies of councillors and officers of all tiers of local government to seek views on options to strengthen sanctions to address breaches of the code which fall below the bar of criminal activity and related sanctions but involve serious incidents of bullying and harassment or disruptive behaviour.

### **Recommendation 11**

**Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.**

The Government agrees in principle.

Initial soundings with the sector indicate that some local authorities already provide legal indemnity for Independent Persons.

The Government endorses providing legal indemnity for Independent Person as local authority best practice but does not currently see the need to require this through secondary legislation.

### **Recommendation 15**

**The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g., bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.**

The Government believes that this is better addressed through the sector adopting as best practice a regular pattern of annual reporting by Standard Committees of the cases and complaints handled and would encourage this as best practice by the sector.

The Government does not believe that there is a requirement to prescribe to local authorities the form and content of such Standard Committee annual reports.

### **Recommendation 17**

**The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.**

The criminal law, overseen by the police and courts, provides for more appropriate and effective action against breaches of public order, for anti-social behaviour, and against harassment.

The occasion where councils would seek to bar councillors from council premises are thought to be extremely rare. We will consider this further.

### **Recommendation 18**

#### **The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.**

It is a criminal offence to fail to declare pecuniary interests, which acts as a strong deterrent against corruption.

The Government does not agree with this recommendation, but rather believes the criminal offence of a non-disclosure of pecuniary interest to be a necessary and proportionate safeguard and deterrent against corruption.

The high bar of police involvement has served to discourage politically motivated and unfounded complaints.

### **Recommendation 20**

#### **Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.**

The Government does not agree that this is necessary and has no plans to repeal Section 27(3) of the Localism Act 2011.

The Government considers that the adoption of the principal authority's code or the new model code is a matter for local determination.

There are merits in achieving consistency within principal authority areas to eliminate potential confusion amongst constituents and elected members but there may be instances where a parish council may want to add to the code of their principal authority to reflect local circumstances.

## **Recommendation 21**

**Section 28 (11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.**

The Government has no current plans to repeal Section 28 (11) of the Localism Act 2011 but will give this matter further consideration.

## **Recommendation 22**

**The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.**

The three statutory officers in local government are the Monitoring Officer, the Head of Paid Service (Chief Executive) and the Chief Finance Officer (often referred to as the Section 151 Officer).

Under the current disciplinary arrangements for statutory officers, any decision to dismiss a statutory officer must be taken by full council, following a hearing by a panel that must include at least two Independent Persons. The Committee consider that the disciplinary protections for statutory officers should be enhanced, by extending disciplinary protections to all disciplinary actions (such as suspension or formal warnings), not just dismissal.

The Government agrees in principle with this recommendation and recognises this will be pertinent to Monitoring Officers who may not necessarily be afforded the same seniority in the organisational hierarchy of a local authority as the two other statutory officers (Head of Paid Service and the Section 151 Officer), and who may be subject to personal pressures when conducting high profile breach of conduct investigations.

The Government will engage with sector representative bodies of all tiers of local government to seek views on amending the Local Authorities (Standing Orders) (England)(Amendment) Regulations to provide disciplinary protections for statutory officers.

## **Recommendation 23**

**The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.**

The Government agrees with the principle that openness is essential.

Most local authorities already publish their whistleblowing policy, procedures and a named contact on their websites, and Government is recommending that this is adopted as a best practice recommendation.

The Government published the UK National Action Plan for Open Government 2021 – 2023 in January 2022. This includes a commitment on local transparency.<sup>3</sup> The Department for Levelling Up Housing and Communities (DLUHC) will work with the local government community to develop a set of specific actions to advance transparency in the sector. DLUHC will support local government to solidify their transparency policies and processes and encourage proactive publication of open data across councils.

## **Recommendation 24**

### **Councillors should be listed as ‘prescribed persons’ for the purposes of the Public Interest Disclosure Act 1998.**


Prescribed persons are individuals or organisations that a worker may approach outside their workplace to report suspected or known wrongdoing and still be protected by the rights afforded to them under whistleblowing legislation. They are prescribed by an order made by the Secretary of State (for Business, Energy and Industrial Strategy) for this purpose. A complete list of prescribed persons is available here: <https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>.

Local councillors would not meet the criteria of being external to an individual’s workplace in relation to matters affecting the council and could therefore not be considered as a ‘prescribed person’ for the purposes of the Public Interest Disclosure Act 1998. Disclosures relating to local authorities can be made to the external auditor of the relevant authority, the Comptroller and Auditor General (National Audit Office), or a Member of Parliament.

However, the Government recognises that this may provide a further check and balance against council corruption or wrongdoing and is open to further representations on the matter on how local accountability can be strengthened in this regard.

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<sup>3</sup> <https://www.gov.uk/government/publications/uk-national-action-plan-for-open-government-2021-2023/uk-national-action-plan-for-open-government-2021-2023#local-transparency>

 <b>Brent</b>	<b>Audit &amp; Standards Advisory Committee</b> 7 June 2022  <b>Audit &amp; Standards Committee</b> 7 June 2022
	<b>Report from the Director of Legal HR, Audit and Investigations</b>
<b>Annual Governance Statement 2021/22</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not Applicable
<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>	One Appendix 1: Annual Governance Statement 2021-22
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Debra Norman, Director of Legal. HR. Audit & Investigations, <a href="mailto:Debra.norman@brent.gov.uk">Debra.norman@brent.gov.uk</a> Tel: 02089371578

## 1.0 Purpose of the Report

1.1 This report sets out the draft Annual Governance Statement (AGS) for 2021/22 as required by the Accounts and Audit Regulations 2015.

## 2.0 Recommendation

2.1 That the Audit & Standards Advisory Committee consider and recommend for approval by the Audit & Standards Committee the Annual Governance Statement as set out in Appendix 1.

2.2 That the Audit & Standards Committee consider and approve the Annual Governance Statement as set out in Appendix 1 taking into account the observations of the Audit & Standards Advisory Committee.

## 3.0 Detail

3.1 The council is required to prepare an Annual Governance Statement and have it approved by the relevant Committee. The statement must be signed prior to the signing of the accounts. The statement must be

signed by the Chief Executive and Leader of the Council.

- 3.2 CIPFA produced a refreshed framework document in 2016 setting out how local authorities could comply with the requirements to conduct a review and produce the Annual Governance Statement.
- 3.3 The guidance determines that the Annual Governance Statement should “provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of governance structures involved. It should be high level, strategic and written in an open and readable style.”
- 3.4 The seven core governance principles, applicable from 2016/17, are as follows:
  - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
  - B. Ensuring openness and comprehensive stakeholder engagement;
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
  - E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it;
  - F. Managing risks and performance through robust internal control and strong public financial management, and
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 3.5 The review of effectiveness is an ongoing process involving officers responsible for key elements of the governance framework as well as members of the Corporate Governance Group, who throughout the year have oversight of governance related issues.
- 3.6 The final part of the statement covers significant governance issues relating to 2021/22. There are no such issues identified that arose this reporting year.
- 3.7 The following factors should be considered in determining significant issues:
  - The issue has seriously prejudiced or prevented the achievement of a principal objective:
  - The need to seek additional funding or divert funding to

resolve the issue;

- The issue has had a material impact on the accounts;
- The issue has attracted significant public interest or has damaged the reputation of the organisation, or
- The issue has resulted in formal action being taken by a Statutory Officer.

#### **4.0 Financial Implications**

4.1 None

#### **5.0 Legal Implications**

5.1 The Accounts and Audit Regulations 2015 require the council to prepare an annual governance statement and have this reviewed by a committee.

#### **6.0 Equality Implications**

6.1 None

#### **7.0 Consultation with Ward Members and Stakeholders**

7.1 None

**Report sign off:**

***Debra Norman***

Director of Legal, HR, Audit and Investigations

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## Brent Council Annual Governance Statement 2021/22

### 1. **Scope of Responsibility**

- 1.1 Brent Council ('The Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council is responsible for ensuring that there is a sound system of governance (incorporating the system of internal control). This includes group activities.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The statement is included in the annual review of the Constitution undertaken each year by the Director of Legal HR Audit & Investigations. A copy of the Council's code is contained in part 5 of the Council's Constitution and can be found on our website:
- <https://data.brent.gov.uk/dataset/2jgp6/constitution-brent-council>
- 1.4 This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1b), which requires all relevant bodies to prepare an annual governance statement. To ensure all statutory requirements have been met the statement has been produced in accordance with the CIPFA Delivering Good Governance Framework 2016.

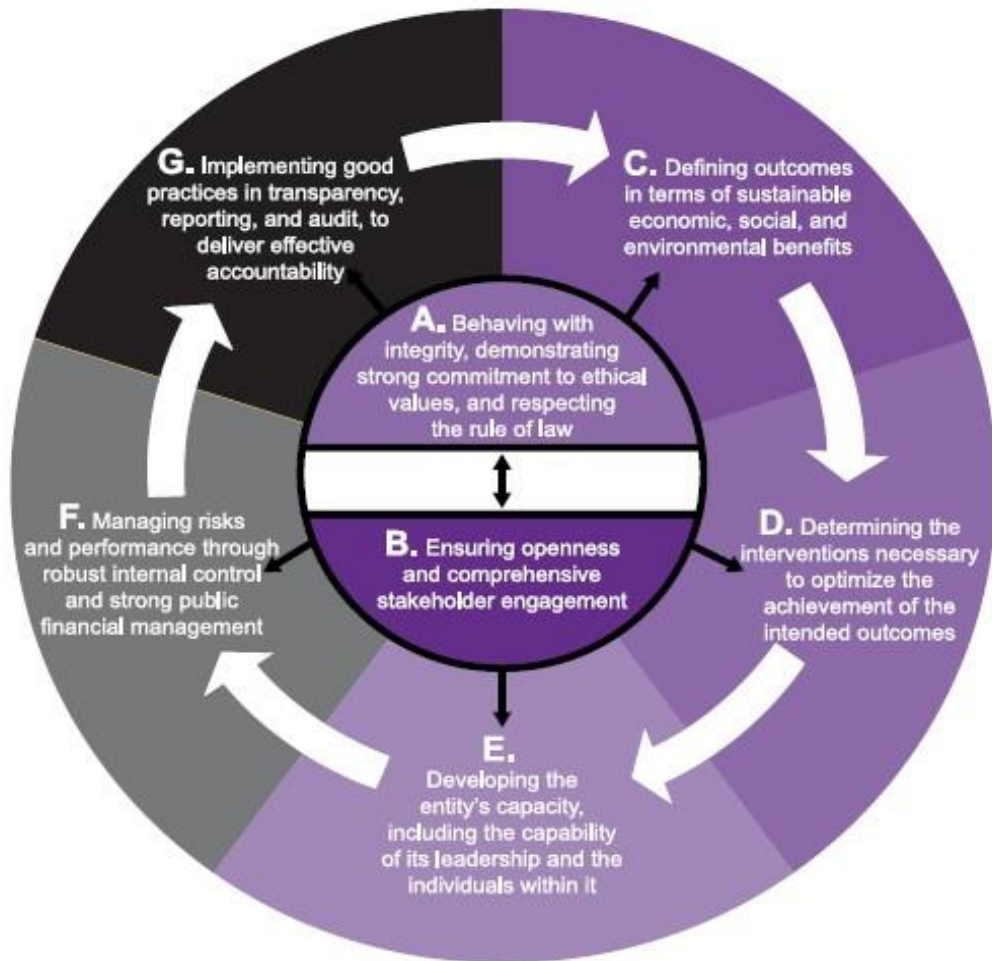
### 2. **The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.2 The governance framework has been in place for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

### 3. **The Governance Framework**

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are based on the seven core principles of the CIPFA/SOLACE Governance Framework.

3.2 The arrangements for reviewing the effectiveness of the governance framework are detailed in section 4 of this statement.



**3.3 Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

3.3.1 The Constitution sets out how the Council operates, how decisions are made and the policies that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution comprises six parts, that set out the basic rules for governing the Council’s business, as well as detailed procedures and codes of practice.

3.3.2 The Constitution is regularly reviewed and was last updated in February 2022. The Constitution sets out the responsibilities of both members and officers. In particular, the Council has identified the following six statutory posts:

Legislation	Statutory Post	Officer
S4 Local Government and Housing Act 1989	Head of Paid Service	Chief Executive
Section 151 Local Government Act 1972	Section 151	Director of Finance

S5 Local Government and Housing Act 1989	Monitoring Officer	Director of Legal, HR , Audit & Investigations
S18 Children Act 2004	Director of Children's Services	Strategic Director Children and Young People
S6 Local Authority Social Services Act 1972	Director of Adult Social Services	Operational Director Adult Services
Health and Director of Public Health Social Care Act 2012	Health and Director of Public Health Social Care	Director of Public Health

- 3.3.3 A Scheme of Delegation sets out the powers delegated to officers as part of the Constitution. The Financial Regulations are also part of the Constitution, together with the Code of Corporate Governance and the Contract Standing Orders. Changes to the Constitution (other than minor changes which can be approved by the Director of Legal, HR, Audit & Investigations) are approved by the full Council and published on the external website.
- 3.3.4 The Member Code of Conduct is set out in the Constitution, together with other codes. These are included in the annual constitutional review.
- 3.3.5 A register of member interests and gifts and hospitality is maintained and entries are reported quarterly to the Audit & Standards Advisory Committee.
- 3.3.6 All Councillors receive training on the requirements of the Code of Conduct and related issues. Monitoring Officer Advice Notes give advice to members on decision making and standards of conduct.
- 3.3.7 All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. Strategic Directors, Operational Directors and Heads of Service are responsible for monitoring implementation of the Council's policies.
- 3.3.8 The Council has a number of key governance related policies. Officers are made aware of their responsibilities through general communications, such as Weekly Round Up, manager briefings, staff events and via the induction process.
- 3.3.9 The Council operates a robust anti-fraud and corruption culture and has an established Anti-Fraud and Bribery Policy and a separate Whistleblowing policy. These policies set out the duties of all staff in relation to acting with honesty and integrity and the reporting suspected fraud. Both policies are published on the Council's webpage, along with details on how members of the public can report suspected fraud and corruption.

### **3.4 Principle B: Ensuring openness and comprehensive stakeholder engagement**

- 3.4.1 The Strategy and Partnerships service area is responsible for supporting statutory local partnership arrangements (Health and Wellbeing Board, Safeguarding Adults Board, Multi Agency Safeguarding Children Partnership and Children's Trust) and some non-statutory partnerships such as a new model of collaboration adopted to work with the voluntary and community sector through a network of Thematic Leads across the borough. The Strategic Partnerships team co-ordinates a broad range of collaborative activities, which stem from the Council's engagement with local public, private, voluntary sector organisations and faith groups. The Council incorporates good governance arrangements in respect of partnerships and other joint working and ensures that they are reflected across the authority's overall governance structures.

3.4.2 At a service area level, the objectives of partnerships are documented in the Service Plans and within contract documentation. They are then reflected in staff's individual objectives.

3.4.3 Regard to equality, diversity and human rights duties is embedded in the budget setting and business planning process, and templates for each require that officers and members take into consideration in an appropriate manner the equality and diversity impacts of proposed decisions. The Council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management. The council has recently adopted a Black Community Action Plan in response to the recent heightened concerns and to address the inequalities that our black communities continue to face. The aims of the plan, which the local community helped us to create, include building sustainable communities, with Black leaders playing a role in decision-making, developing community spaces, that members of the community will run and manage, and conducting an internal review of processes in the council. The plan is on our website:

<https://www.brent.gov.uk/neighbourhoods-and-communities/community-priorities/brent-black-community-action-plan#bbcap>

3.4.4 Consultation and engagement with residents, stakeholders and the wider community are integral to the Council's decision-making approach and processes, ensuring that a wide and diverse range of views are heard. A range of methods and techniques are utilised including the Council's Consultation Portal, quarterly Brent Connects public forum and a series of 'Time to Talk' events, as well as participation in engagements led by the voluntary sector. A resident attitude survey is undertaken every 4 or 5 years.

Council, Cabinet and committee meetings are open to the public and most are live streamed. Our complaints outcomes and performance (including Ombudsman finding and compensation paid) are reported to Cabinet as is our performance in respect of requests received under the Freedom of Information Act 2000 and Subject Access Requests under the Data Protection Act 2018.

### **3.5 Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

3.5.1 The Council has a Borough Plan for the period of 2019 to April 2023 agreed by the Cabinet and Full Council. This document includes the corporate objectives of the Council and our shared partnerships priorities with other public agencies. Key performance indicators which relate to the targets in the plan are monitored on a quarterly and annual basis and reported to CMT and the Cabinet. The Borough Plan references other key relevant documents, such as the Community Engagement Strategy and the Digital Strategy.

3.5.2 The Borough Plan is available on the staff intranet and will be regularly promoted via Brent Magazine, its website, press releases and targeted campaigns. All new strategies and plans will be underpinned by the Borough Plan's themes and annual priorities – which are consulted on with users and other relevant stakeholders. Departmental Service Plans are discussed annually with Lead Members prior to finalisation.

### **3.6 Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

3.6.1 The Borough Plan is focused on Building a Better Brent. It sets out the Council's vision for 2023, which is to make Brent a borough of culture, empathy and shared prosperity.

It is underpinned by an annual Delivery Plan which identifies the key tasks from which team plans and individual objectives are set.

- 3.6.2 The vision sets out how the Council will build on the successes achieved to-date while developing a much sharper focus on services designed around the individual and creating better outcomes for those residents with complex circumstances. The plan highlights the need to concentrate resources on the things that matter the most, and use resources in the most effective way. Borough Plan priorities are aligned to both the demographic and economic needs profile of the borough and the findings from the community engagement activities. A programme of activity is in place to support delivery of this vision with reports on progress provided regularly to CMT and elected Councillors.
- 3.6.3 The Cabinet consider risks as part of their decision-making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects.
- 3.6.4 The Council's Risk Management Policy and Strategy sets out the general framework for the identification, assessment and management of risks across the Council. It also clearly sets out the roles and responsibilities of key stakeholders. Risk management is a key element of the Council's governance framework, and is aligned to the Council's corporate objectives and priorities to help ensure that these and resulting outcomes are achieved. All members and officers have responsibility and a role to play in managing risks. The Council's Strategic Risk Register is reviewed and updated biannually and records the risks that are 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.
- 3.6.5 The council has the community engagement framework at its heart enabling us to build trust and understanding with our communities, to create more opportunities to empower residents and to improve the quality and consistency of community engagement practice. The framework enables the council to understand the complex nature of our communities - created flexible models for engagement, acting as a mechanism to create clear outcomes through procreation and position residents to lead design and make decisions.
- 3.6.6 The framework details for all staff:
- The standards and values of engagement we offer to residents
  - guidance on using different methods and techniques
  - An internal online resource available to staff
  - Best practice advice will be available from the central team
  - Collation of existing 'User Voices' to inform council work
- 3.6.7 The framework provides a toolkit for service areas to enable bespoke development of approaches. These include:

**Suitability:** choosing the right level of participation for the work in question is important, both in terms of time and effort in planning and implementation but also in ensuring that the outcomes of the engagement meet the needs of the work and that expectations of participants are properly managed.

**Accessibility:** Regardless of the level of participation that is decided on, it is essential that it is designed and implemented in a way that gives full consideration to any barriers that might exist for residents. Whether this is ensuring that information can be accessed by all or that people have the means or necessary support to effectively contribute.

**Quality:** All engagement activities should meet a high standard and be fit for purpose, whether that is simply providing residents with information or creating opportunities for full decision making.

3.6.8 In preparing its Borough Plan, the council considers the findings of its Residents Survey and other community consultation as well as the discussion at Forward Together corporate sessions for all staff.

**3.7 Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

3.7.1 A full member learning and development programme is in place and there is a comprehensive induction programme for all Councillors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councillors is compulsory. The Council has adopted specific codes of conduct for Councillors involved in planning or licensing decision-making and these Councillors receive additional training in these areas as a pre-condition of their participation. Entitlement to special responsibility allowances for some posts is dependent on mandatory training being attended. It has been agreed that an Acceptable Use Policy will be developed which will provide for potential restriction of access to council systems by Councilors who have not completed the mandatory Data Protection training. A bespoke annual learning and development programme is provided for Councillors appointed as Members or Substitutes on the Scrutiny, Planning and Alcohol and Entertainment Licensing Committees.

3.7.2 We have a comprehensive e-learning offer for knowledge, skills and personal development and various internal training courses. Key initiatives for the next year include a further Middle Manager Development programme cohort, further work to embed succession planning and leadership development. There is a corporate induction programme in place for staff, which is a combination of e-learning and face-to-face activities. Key information and policies are highlighted to new staff and managers and held on the intranet. Regular communication through annual roadshow events and other channels are maintained to advise staff of new learning opportunities. Additionally, our bi-annual 'Forward Together' events, provide an opportunity for staff to come together to engage with issues and opportunities facing the Council as a whole and to understand how their work fits with Council priorities

3.7.3 Departments also design and deliver development programmes specific to their individual needs. For example, in CWB, development exists on three levels. Staff take part in the corporate training and development programme, including mandatory courses. There is also a CWB development programme, which focuses on career development, offering mentoring to staff at all levels; and improving collaborative working through 'Making Every Contact Counts' training programme available to all teams, and 'Leadership for Making Every Contact Counts' a leadership programme for first line managers. Finally, in individual services they have developed Skills Academies to prioritise and deliver service-specific professional training.

3.7.4 The Council has a comprehensive Succession Planning and Leadership programme to develop middle managers and identify those staff who have the potential to attain senior posts. In addition as part of the Black Community Action Plan a series of internal programmes have been developed to ensure those BAME staff have the opportunity play an active role in shaping Council policy.

3.7.5 In December 2021 the Cabinet agreed an investment of £9.3M in its Digital Strategy – 2022 to 2026. The Digital Strategy underpins the Borough Plan supporting the Council and the people of Brent to be digitally confident. From delivering an innovative customer platform where residents can interact with the council to a complete end to end

transformation of the Council's housing services the Digital strategy is ensuring the council remains at the cutting edge of technology and how it's used. In addition, an investment of £4.2M was agreed for a digital support fund for businesses and the provision of devices for digitally excluded households in Brent, helping to tackle digital exclusion.

### **3.8 Principle F: Managing risks and performance through robust internal control and strong public financial management**

- 3.8.1 Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet model of decision making. Although some decisions are reserved for Full Council, most are made by the Cabinet or by Committees, sub-Committees or officers. In September 2018, individual member decision-making was introduced in a limited number of areas, supported by a governance process similar to that for Cabinet decisions. Cabinet members received a briefing about their new responsibilities and the related processes. The new process has worked well and further powers were delegated by the Leader to Individual Cabinet Members from April 2021.
- 3.8.2 All forthcoming Key decisions by Cabinet, Cabinet Members, Cabinet Committees or officers are published in the Council's Forward plan published every month on the Council's website.
- 3.8.3 Reports and minutes of meetings are also published on the Council's website and are available through the Libraries. This includes urgent decisions, which are reported to the next formal meeting of Council.
- 3.8.4 The Council has an Audit and Standards Advisory Committee which usually meets at least six times during the year, with clear terms of reference and an annual work programme for internal audit, investigations and risk management. The Committee has an independent chair, two co-opted (independent) members in relation to member conduct standards issues and an independent adviser to help ensure it is effective in performing its duties.
- 3.8.5 In order to enhance the effectiveness of the Committee, it was re-constituted as an advisory Committee for most of its activities. This has enabled the independent Members to be equal voting members of the Committee.
- 3.8.6 The Council maintains an Internal Audit service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit reports to the council's Monitoring Officer, and has direct access to the Chief Executive, the Section 151 Officer and the Chair of the Audit Committee and now the Chair of the Audit and Standards Advisory Committee. The Audit and Investigations functions play an important role in helping the organisation deliver its strategic objectives by objectively assessing the adequacy of governance and the management of risks; and providing an objective and evidence based opinion on governance, risk management and internal control.
- 3.8.7 The Council's Strategic Risk Register is reported to DMTs, CMT and the Audit and Standards Committee twice a year. The report is written in conjunction with risk leads across the Council, and operationally, risk management continues to be embedded through service-level risk management workshops, targeted training sessions and ongoing support. The process is led by the Council's Head of Internal Audit, in consultation with risk owners, DMTs and CMT. The Risk Register articulates the causes and consequences of strategic risks, alongside a summary of controls. The work of Internal Audit, in accordance with its Annual Audit Plan, is directed towards the key risk areas as identified within the register. The work of Internal Audit therefore seeks to provide assurance to the senior management and members that the Council complies

with relevant laws, regulations, internal policies and procedures. Internal Audit provides quarterly updates on delivery of the audit plan to the Audit and Standards Committee.

- 3.8.8 Robust business continuity management arrangements exist within the Council, with all critical services having business continuity plans in place.
- 3.8.9 The Council has a Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the Council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the Council's budget. The financial management framework includes regular budget monitoring reports to departmental management teams, Council Management Team and Cabinet.
- 3.8.10 CIPFA's Financial Management (FM) Code aims to embed sound financial management in local authorities. The Council has reviewed those areas where the FM Code requires compliance with existing codes of practice and has determined that the Council is fully compliant in those areas. Where the FM Code advocates a new approach, such as the use of a formal Financial Resilience Assessment to determine the robustness of the Council's financial position and its sustainability in the long-term, the Council believes that there is considerable benefit to be had from updating its current arrangements to implement the FM Code's recommended approach. The Council is working to put in place a new MTF and long term planning process which will cover the whole period of an administration's Borough Plan and beyond. The MTF and improved service and financial monitoring arrangements will be closely linked to the overarching Borough Plan and the detailed service delivery plans.
- 3.8.11 The Council has two wholly owned subsidiary companies – i4B Holdings Limited (i4B) and First Wave Housing Limited (FWH). The work of the companies is agreed by the Cabinet through the annual business plan. Progress against delivery is reported to the Council as shareholder/guarantor via a bi-annual meeting and there are also regular reports to the Council's Audit and Standards Advisory Committee. In addition, the work of the companies in delivering Council objectives has been reviewed via the scrutiny process.
- 3.8.12 FWH is limited by guarantee without share capital. The Board of the Company is chaired by an independent voting Director. The Company has a Service Level Agreement (SLA) with the Council to support the Company's operations. Under the SLA, the Council provides corporate services such as: governance services, financial services, and legal services.
- 3.8.13 i4B is limited by shares, providing affordable homes for households who might otherwise be housed in temporary accommodation. The Board of the Company is chaired by an independent voting Director. The Company has a Service Level Agreement (SLA) with Brent to provide a range of services to support the Company's operations such as corporate and financial services; property purchasing and refurbishment and housing management.
- 3.8.14 The Council also has a Shared Technology Service (STS) covering three Councils (Brent, Lewisham and Southwark). A Joint Committee has been established to discharge executive functions on behalf of the three boroughs, in so far as they relate to joint activities or areas of common concern in relation to the provision of ICT infrastructure and related supporting services. An officer management board is also in place.
- 3.8.15 The council also has LGA Digital Services, which is a company limited by shares, jointly owned by the Local Government Association. LGA digital was set up in July 2015 to allow Brent to manage the ICT services for the LGA. Board and governance support is provided by the Council Transformation team. The Board of the Company is chaired by

an LGA Head of Service, with remaining members being made up of Council and LGA representatives. Board meetings are held on a quarterly basis

### **3.9 Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- 3.9.1 Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.
- 3.9.2 The statutory Forward Plan is published monthly on the internet, and details all key decisions proposed to be made by the Council during the relevant period. Any key decision which is not on the Forward Plan may not be taken within that period, unless the report author is able to demonstrate to the Monitoring Officer and relevant members that urgency procedure requirements are met and, where required under Standing Orders, appropriate agreement of the Chief Executive or the relevant Chair of Scrutiny is obtained. All urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to Full Council.
- 3.9.3 Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Cabinet receives a briefing (Leader's Briefing) three weeks prior to the Cabinet meeting when members can ask detailed technical questions of officers. All reports must be reviewed and signed-off by, or on behalf of, the Director of Finance and the Director of Legal, HR, Audit & Investigations and contain clear financial and legal advice to help members arrive at decisions.
- 3.9.4 In accordance with the Local Government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Cabinet. These mechanisms involve the Scrutiny process including call-in. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.
- 3.9.5 All members and chief officers are required to complete an annual statement relating to third party transactions and a register of members' interests, which is updated by members, is maintained and published on the Council's website.
- 3.9.6 The Brent Council Code of Conduct for Members, reviewed in 2021, defines the standards of conduct expected of elected representatives, based on the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Complaints under the Code are reported to the Audit and Standards Advisory Committee as are details of declared Gifts and Hospitality received by members and the mandatory training they have undertaken.
- 3.9.7 In addition, the following codes, protocols and systems are well established within the Council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government.  
These include:
- A declaration of interest process for members and officers as described above;
  - Organisation-wide performance appraisal and employee development schemes are in operation;

- There is a corporate complaints procedure in place in line with Ombudsman good practice requirements, and
- Whistle-blowing, anti-fraud and anti-corruption / bribery policies are in place and publicised in compliance with the national transparency agenda; senior officers' remuneration is published on the Council website.

#### **4. Review of Effectiveness**

4.1 The Governance Framework is subject to on-going review as part of the everyday business of the organisation. The reduction in resources within the public sector has increased the attention on ensuring that governance frameworks remain efficient and effective. The Council also has responsibility for conducting, at least annually, a formal review of the effectiveness of its governance framework including the system of internal control. This includes group activities where the activities are significant.

4.2 The review of effectiveness is informed by the work of the Directors and senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of the Head of Internal Audit and Investigation's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

4.3 The Council's review of the effectiveness of its system of internal control is informed by:

- Annual Assurance Opinion of the Head of Internal Audit;
- Performance against targets;
- LGA Peer Review 2021,
- External Audit outcomes
- Internal Audit outcomes;
- Scrutiny arrangements;
- Reports from inspectorates;
- 2021 Performance information;
- Risk management arrangements;
- Information governance arrangements and
- A review of the previous year's Annual Governance Statement.

4.4 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is described below:

##### **4.4.1 Performance Management**

The Council has a Performance Management Framework, overseen by the Corporate Performance Team (CPT), within the Chief Executive's Department. The CPT works with Departmental Management Teams to strategically align all the Council's performance monitoring and reporting and coordinate the production of two main reports:

- The Quarterly Performance Report for Cabinet, and
- Portfolio Performance Packs

Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on performance each quarter. Cabinet portfolio holders have regular meetings with Strategic Directors and review finance and performance indicators.

##### **4.4.2 Management**

The Council Management team meets fortnightly to oversee the operations of the organisation and receives reports for both challenge and comment prior to formal decision-making processes. Reports will also be presented to provide the required assurances regarding the strategic risks the organisation faces. These include periodic reports from the groups and boards established in the identified high risk areas such as Health and Safety; IT Governance; Business Continuity; Corporate Risk, Information Governance and the Commissioning and Procurement Board. The role and contribution that these groups make is reviewed on an on-going basis.

#### **4.4.3 The Cabinet**

The Cabinet makes key decisions in accordance with the Budget and Policy Framework. It conducts joint planning sessions with the Council Management Team to consider the Council's policy priorities and its linkages with the medium term financial strategy. The Cabinet meets regularly with the Council Management Team to develop policy and to receive operational and financial performance information.

#### **4.4.4 Scrutiny Committees**

In 2016, Full Council approved a new structure for scrutiny at Brent Council. This was to replace the Scrutiny Committee with the Community and Wellbeing Scrutiny Committee and the Resources and Public Realm Scrutiny Committee. Each of the Committees has discrete responsibilities for scrutinising the Council's executive and covers different parts of the local authority's services. Policy is reviewed by reports discussed at Committee as well as task groups set up to review a particular issue. In addition, a Budget panel, which is chaired by the chair of Resources and Public Realm Scrutiny Committee, was set up. In addition, there is scrutiny of Cabinet members and decision-making at individual Committee meetings of the two Committees. The two Committees have a statutory role in scrutinising policy and decision-making of external organisations and agencies.

#### **4.4.5 The Audit and Standards Advisory Committee**

The Audit and Standards Advisory Committee met five times during 2021/22 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual audit letter. The Committee monitors the effective development and operation of risk management. It reviews the annual statement of accounts specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from audits that need to be brought to the attention of the Council. The Audit and Standards Advisory Committee also considers the Treasury Management Strategy and the Annual Investment Strategy and reviews treasury management activity during the year. The Committee is also responsible for a number of matters related to member conduct and has received reports concerning these during the year.

Those matters which come before the Committee which require a formal exercise of Council functions (e.g. approval of accounts) will continue to be made by the Audit and Standards Committee, which will consist of the Councillor membership of the Audit and Standards Advisory Committee.

An exercise has been undertaken to consider the complementary roles of the Scrutiny Committees and the Audit and Standards Committees and how they can best work together. Meetings have taken place between the Chairs of these bodies with a view to considering common issues and co-ordinating forward agenda planning to ensure issues are considered in the appropriate meeting and relevant intelligence is shared between them.

#### **4.4.6 Corporate Governance Group**

Set up in 2016, this is an informal, but significant, meeting of the Council's three corporate Statutory Officers together with the Head of Audit and Investigations and the Independent Adviser to the Audit & Standards Advisory Committee. It reviews key governance issues, the results of recent sensitive investigations and similar material in order to update policy and practice as appropriate.

#### **4.4.7 Internal Audit**

The Council receives assurance about the effectiveness of the corporate governance, internal control and risk management arrangements from the work of Internal Audit which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Audit and Investigations to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Audit and Investigations produces an annual report which will be presented to the Audit and Standards Advisory Committee. This report will outline the key findings of the audit work undertaken during 2021/22.

An external quality assessment (EQA) of the Internal Audit Service carried out during 2018/19, concluded that the Service conformed to the Public Sector Internal Audit Standards. The outcome reflected a professional and successful Internal Audit service commanding a good level of respect and credibility across the Council and seen as a key part in supporting and developing good governance within the Council. The next EQA is scheduled for Q4 2022-23.

It is the opinion of the Head of Audit and Investigations that, taking into account all available evidence from audit work undertaken in 2021/22, there is reasonable assurance over the adequacy and effectiveness of the Council's overall framework of governance, risk management and control during the financial year 2020/21. Internal Audit did not review all of the wider governance mechanisms described in this report however there was no evidence to suggest any deficiencies in the arrangements described by senior stakeholders in this statement.

#### **4.4.8 External Audit**

Grant Thornton UK LLP is the Council's appointed external auditor. As well as an examination of the Council's financial statements, the work of the Council's external auditor includes an assessment of the arrangements the Council have in place to deliver value for money in its use of resources.

The Council ensures that it provides timely support, information and responses to external audit and properly considers audit findings and recommendations.

#### **4.4.9 Risk Management**

The Council managed its risks during 2021/22 in accordance with the Risk Management Policy and Strategy. The Corporate Management Team formally considers strategic risks, with quarterly reports also being presented to the Audit and Standards Advisory Committee. Risk management is a key element of the Council's governance framework, and is aligned to the Council's corporate objectives and priorities to help ensure that these and resulting outcomes are achieved. Enhancements continue to be made to the Council's risk management framework, where deemed necessary and appropriate to do so. As part of the enhancements made in 2021/22, risk sponsors have now been

assigned for each strategic risk, who will be accountable for the risk mitigating actions and controls. The risk impact matrix has also been expanded to help consider, identify and articulate the impact of risks across a number of factors, including financial, service delivery, health and safety and reputational impacts.

#### **4.4.10 Developing Capacity**

The Council has operated procedures during the period covered by this statement to ensure the training needs of staff are assessed against core competencies and any key training needs are met. Additionally, the Council has provided and makes available ongoing training opportunities to Councillors to enable them to effectively fulfil their duties.

#### **4.4.11 Engagement**

Regular consultation is also undertaken with residents to ensure that the authority makes decisions based on resident requirements and feedback regarding general provision and quality of service.

### **5. Significant Governance Issues**

The CIPFA/SOLACE Governance Framework identifies the following as issues that constitute significant governance issues:

- The issue has seriously prejudiced or prevented achievement of a principal objective;
- The issue has resulted in a need to seek additional funding to allow it to be resolved;
- The issue has resulted in significant diversion of resources from another aspect of the business;
- The issue has led to a material impact on the accounts;
- The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose, or
- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

During 2021/22, no significant governance issues were identified.

### **6. Conclusion and Evaluation**

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Brent Council to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address any weaknesses and ensure continuous improvement in the system of internal control.

Signed:

.....  
**Muhammed Butt**  
Leader of the Council

.....  
**Carolyn Downs**  
Chief Executive

Date:

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 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 7 <sup>th</sup> June 2022
	<b>Report from the Director of Legal HR Audit and Investigations</b>
<b>Strategic Risk Register</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not applicable
<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>	One Appendix 1 – Strategic Risk Register
<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

## 1.0 Purpose of the Report

- 1.1 This report provides an update on the Council’s Strategic Risk Register.
- 1.2 The Strategic Risk Register summarises the Council’s corporate risk profile as at the end of 2021-22, and has been prepared in consultation with risk leads, Departmental Management and Senior Leadership Teams, and CMT.

## 2.0 Recommendation

- 2.1 The Committee is asked to note the report.

## 3.0 Risk Management Framework

- 3.1 The Council’s Risk Management Policy and Strategy sets out the general framework for the identification, assessment and management of risks across the organisation. It also clearly sets out the roles and responsibilities of key stakeholders within that framework.
- 3.2 The key elements of the Council’s Risk Management Policy and Strategy are:

- Risk management is a key element of the Council's governance framework;
  - Risk management is aligned to the Council's corporate objectives and priorities to help ensure that these are resulting outcomes are achieved;
  - All Members and Officers have responsibility and a role to place in managing risks;
  - Statutory responsibilities exist within the Accounts and Audit Regulations requiring Local Authorities to have arrangements in place for managing risks.
- 3.3 Risk management practices have also been incorporated into various decision-making activities, including corporate, directorate, service and financial planning; strategic policy decision making; performance and project management; health and safety, and other relevant activities.
- 3.4 Enhancements continue to be made to the Council's risk management framework, where deemed necessary and appropriate to do so. As part of this iteration of the Strategic Risk Register, Risk sponsors have been assigned for each strategic risk, who will be accountable for the risk mitigating actions and controls. The risk impact matrix has also been expanded to help consider, identify and articulate risk impact across a number of factors, including financial, service delivery, health and safety and reputational impacts. Both of these enhancements can be seen in Appendix A.

#### **4.0 Strategic Risk Register**

- 4.1 The Council's Strategic Risk Register is reviewed and updated biannually and records the risks that are 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.
- 4.2 The content is provided via a 'bottom-up' provision of risks from services and departments which are deemed to require consideration at the higher level. Additionally, risks are input directly from Council Management Team (CMT).
- 4.3 Continual development of risk registers facilitates opportunities to reduce duplication between departments in identifying and managing overlapping risks whilst providing opportunities for shared learning across the Council.
- 4.4 To aid the most recent review of the Strategic Risk Register, a session on strategic risk management was held at the Council's Senior Managers Group on 26<sup>th</sup> January 2022 to collaboratively review and propose amendments to the Council's key risks.
- 4.5 Outcomes from this exercise were analysed and reviewed with CMT, which has resulted in a number of amendments being made to the Strategic Risk Register, as set out in the sections below.

#### New risks

4.6 The following new risk areas have been added to the Strategic Risk Register:

- Cost of living crisis  
*The cost of living crisis caused by rising rates of inflation and fuel/energy costs, may result in more families and households to fall into unemployment and poverty, which may lead to increased level of service demand on the Council and place additional pressure on front-line services.*
- Recruitment and retention  
*Failure to recruit and retain sufficient permanent staff to a significant number of posts, including senior managers, leaves services without sufficient and/or sufficiently qualified staff leading to services being impaired and an overreliance on agency/interim staff.*
- Increased demand from migration and people movement  
*There is a risk that a sustained increase in migration and movement of people could result in increased demand on the Council's critical front-line services (including housing, education and looked after children), which may result in service deterioration, financial pressures and also impact on the wider cohesion of the community.*

#### Closed risks

4.7 Four risks have been closed and removed from the Strategic Risk Register, as they have either been subsumed or superseded by new areas of strategic risk, or the risk score has reduced to a level which enables the risks to be managed and monitored via departmental and service level risk registers. These are:

- Delivery of the Digital Strategy
- Brexit - Economic uncertainty/loss of workforce
- Demand for services
- Delays in the re-procurement of key public realm services
- Workforce resilience

#### Amended risks

4.8 Amendments have also been made to the individual risk scores of existing risks, as illustrated by the 'previous' and 'updated' risk score columns. Amendments have also been made to the articulation of risks, where appropriate.

#### Inherent risks

4.9 There are a number of inherent risks that the Council faces, which continue to be owned and monitored at a Departmental level (and therefore do not form part of the Strategic Risk Register). These have previously been identified as:

- Safeguarding (Children and Adults);
- Business Continuity;
- Information Governance;
- Legislative Compliance;
- Fraud and Corruption;

- Major Unforeseen Event;
- Financial Stability, and
- Health and Safety.

4.10 These risks will be incorporated into the Strategic Risk Register when net or mitigated risk scores are deemed to be of a level that exceed the appropriate tolerance.

## **5.0 Departmental Risk Management**

5.1 The Risk Management Policy and Strategy also requires departments 'to ensure that operational and strategic risks within departments are effectively managed'. Departments are also responsible for maintaining departmental risk registers and escalating risks to CMT where risks escalate beyond agreed tolerances.

5.2 Internal Audit continues to liaise with all departments to provide risk management support and to assist with the updating of their risk registers. Internal Audit also comment on the completeness and reasonableness of the information provided and use the information to inform their annual and in-year audit planning processes. This helps to ensure that audit resource is effectively targeted at providing assurance on the highest risk areas.

## **6.0 Enhancements to the Council's Risk Management Framework**

6.1 Risks are assessed and scored in terms of their residual/net impact and likelihood scores, using a 5x5 risk matrix. To aid the further enhancements to the Council's risk management framework, as shown in section 1 of Appendix 1, the impact descriptors have been expanded to assist with evaluating the impact of risks across a number of factors.

6.2 Minor amendments have also been made to the Likelihood descriptors.

## **7.0 Financial Implications**

7.1 There are no specific financial implications arising from this report.

## **8.0 Legal Implications**

8.1 All Local Authorities are required to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015:

"A relevant authority must ensure that it has a sound system of internal control which:

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk."

## **9.0 Equality Implications**

9.1 None

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

10.1 None

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

11.1 None

**Report sign off:**

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

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# Strategic Risk Register

May 2022

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1. Risk Evaluation Matrix  
(Page 2)
2. Strategic Risk Heat Map  
(Page 3)
3. Summary of Strategic Risks (risk per page)  
(Pages 4-13)

# 1. Risk evaluation matrix

The following impact and likelihood criteria is used to evaluate and articulate the Council's Strategic Risks.

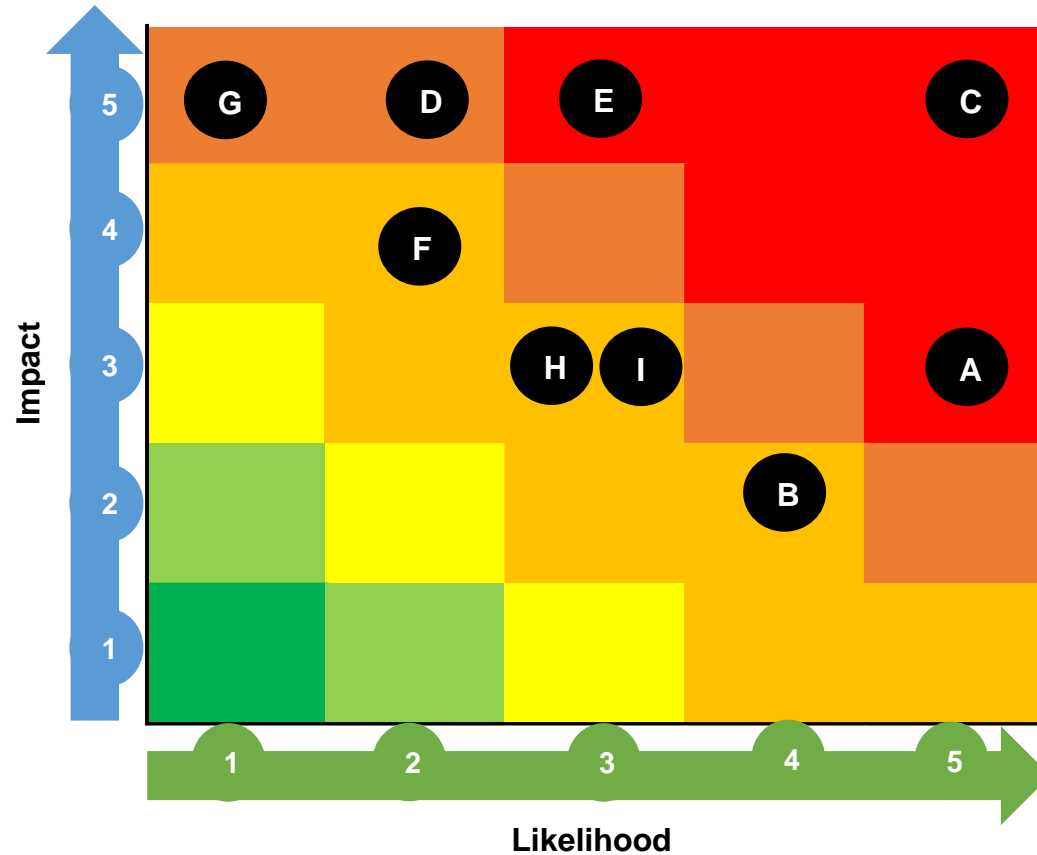
Risk Impact Matrix				
Impact	Financial	Service Delivery	Health and Wellbeing	Reputation
5	Major Financial loss (above £2m)	Major disruption to a number of critical services	Multiple deaths / serious life-changing injuries / extreme safeguarding concerns.	Long term damage – e.g. adverse national publicity.
4	Significant Financial loss (above £1m)	Major disruption to a critical service.	Multiple casualties with life changing injuries / significant safeguarding concerns.	Medium to long term damage – e.g. adverse local publicity.
3	Moderate Financial Loss (less than £1m)	Moderate disruption to a critical service	Moderate risk of injury / noticeable safeguarding risks.	Medium term damage
2	Small Financial loss (less than £500k)	Moderate disruption to an important service.	Low level injuries / safeguarding risks.	Short term damage
1	Minor financial loss (less than £100k)	Brief disruption to important service	No immediate impacts to health or wellbeing	Some damage to specific functions

Risk Likelihood Matrix		
5	Very Likely	This event is expected to occur in most circumstances.
4	Likely	There is a strong possibility this event will occur.
3	Possible	This event might occur at some point and/or there is history of occurrence of this risk at this and/or other Councils.
2	Unlikely	Not expected, but there's a slight possibility it may occur at some point.
1	Rare	Highly unlikely, but it may occur in exceptional circumstances. It could happen, but probably never will.

## 2. Strategic Risk Heat Map

**Ref Risks**

- A. Cost of living crisis
- B. Increased demand from migration and people movement
- C. Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit
- D. Lack of supply of affordable accommodation
- E. Cyber Attacks
- F. Failure to Deliver Planned Savings
- G. Budget Setting
- H. Recruitment and Retention
- I. Contract Management



### 3. Summary of Strategic Risks (risk per page)

Key: Cause, event, consequence

A. Cost of living crisis									
Risk Summary	Recent Developments, Progress and Concerns	Previous Risk Score			Updated Risk Score			Forward Trend Comments	
		I	L	T	I	L	T		
<p>The cost of living crisis caused by rising rates of inflation, National Insurance, and fuel/energy costs, may result in more families and households to fall into poverty and unemployment, which may lead to increased level of service demand on the Council and place additional pressure on front-line services.</p>	<p>The Brent Resident Support Fund (RSF) is a discretionary support fund available to Brent residents who are in financial difficulties, for example struggling with food, utility bills and other household essentials. For 2021/22, the RSF budget was £3million.</p> <p>The government announcement of 3 February 2022 regarding Energy Bills Rebate included provision for most properties in council tax bands A to D to receive a £150 rebate payment. It is estimated that the total amount paid could be up to £14.5m at full take-up. The announcement also made provision for local authorities to create a fuel rebate discretionary scheme to support some properties in bands E to H. The government have provided funding of £1,933,800 allowing the Council to establish a scheme to support bill payers not eligible under the main scheme for properties in bands A to D.</p> <p>A cross-Council Cost of Living Crisis Group has been set-up to look at the impact of the crisis across all services and to ensure a joined-up approach.</p> <p>A Food and Fuel Poverty Toolkit has been prepared which contains links and signposts to various organisations to support residents. Staff and Members have been briefed and trained on this and it has been presented at departmental management teams and relevant services.</p> <p>A Financial Inclusion Dashboard is in place which draws together data from across various datasets, including council tax support and benefits. This is used to identify residents who may need targeted supports (i.e. in arrears). It also provides a strategic oversight for senior management.</p>	n/a – new risk				3	5	15	n/a – new risk
<b>Action Plan</b>		<b>CMT Sponsor:</b> Strategic Director Customer and Digital Services							
<ol style="list-style-type: none"> <li>Further enhance the Financial Inclusion Dashboard by introducing additional datasets to help identify residents in need of targeted support.</li> <li>To use the Food and Fuel Poverty Toolkit to prepare a leaflet to be sent to all residents signposting them to various organisations that can provide support.</li> <li>To continue to roll-out training regarding the Food and Fuel Poverty Toolkit crisis toolkit to partners and the third-sector.</li> <li>A report will be taken to Cabinet for approval in June 2022, outlining all the measures currently in place and other planned actions to be taken by the Council. The report will also seeks approval for additional funding for RSF for three years from 22/23.</li> </ol>									

## B. Increased demand from migration and people movement

Risk Summary	Recent Developments, Progress and Concerns	Previous Risk Score			Updated Risk Score			Forward Trend Comments
		I	L	T	I	L	T	
<p>There is a risk that a sustained increase in migration and movement of people could result in increased demand on the Council's critical front-line services (including housing, education and looked after children), which may result in service deterioration, financial pressures and also impact on the wider cohesion of the community.</p>	<p>The Council continues to experience increased service demands and pressures due to the increased levels of migration and movement of people.</p> <p><b>Ukraine:</b> The Government has announced the Ukrainian Nationals can come to the UK if they have an immediate family member who is living here with leave to remain. The Government is currently processing almost 300,000 VISA applications from Ukrainians. Most of these are likely to be women and children. As at 1 March 2022, as well as immediate family members, British nationals and people of any nationality settled in the UK are being supported to bring Ukrainians with no ties under a Community Sponsorship Scheme to the UK. Normal requirements for salary or language tests will be waived. The sponsor will provide housing and integration support. The Voluntary and Community Sector (VCS) in Brent is strong, with many faith groups actively supporting communities. The new sponsorship scheme brings an independent ability for the VCS and Faith sector to increase the Ukrainian population. There is also the potential for pan London organisations to sponsor families and impact on us locally. We are expecting the Government to announce a support package for Ukrainian refugees.</p> <p><b>Asylum Seekers:</b> Brent has an existing population of around 570 asylum seekers in three hotels in Wembley. To date, CYP is able to accommodate the required places in our schools. Some of those individuals have presented themselves as Unaccompanied Asylum Seeking Children (UASC). The Council has dealt with over 70 cases and legal currently has 52 live files regarding requests for interim support and accommodation under section 20 Children Act 1989.</p> <p><b>Afghans Relocation and Assistance Policy (ARAP):</b> The British Government put two schemes in place: The Afghans Relocation and Assistance Policy (ARAP) for those who worked with the British in Afghanistan (and their families) and the Afghan Citizens' Resettlement Scheme for those at risk in Afghanistan. Due to the Afghan community already settled in West London, boroughs in this area are more likely to receive more homeless applications. This puts a disproportionate pressure on Brent and other Local Authorities in this area.</p> <p>A multi-agency migration coordination working group has been set-up, including strategy, housing, public health, community protection, looked after children and legal services, as well as Brent CCG and the Met. police. The Council's website has also been updated with a page to provide information regarding the situation in Ukraine. Meetings have also been called with the multi-faith forum and the voluntary sector.</p>	n/a – new risk	2	4	8	n/a – new risk (however it is anticipated that this risk will continue to increase over the coming months)		
<b>Action Plan</b>		<b>CMT Sponsor:</b> Assistant Chief Executive						
<p>1. To continue to closely monitor the Council's exposure to this risk as the Government continues to announce new schemes.</p>								

### C. Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit

Risk Summary	Recent Developments, Progress and Concerns	Previous Risk Score			Updated Risk Score			Forward Trend Comments
		I	L	T	I	L	T	
<p>There is a risk that current deficit will continue to rise due to an increase in the number of children needing Education and Health Care Plans (EHCP). This could have an adverse impact on the ability to meet the needs of pupils who require special educational support and the Council's legal obligation to meet the educational needs of children in the borough. There is also likely to be an adverse impact on the ability to meet the DfE's requirement to produce a balanced DSG budget..</p>	<p>At the end of the financial year 2020/21 the overall DSG deficit due to pressures in the High Needs Block was £10.5m. As a result, cost avoidance is required over the next 5 years. A management plan has been put in place which assumes a slowdown in the growth of EHCPs from 16% to 7% by 2025-26 and assumes that the HNB funding increases by an average of 7% over the next few years that the in-year pressure is likely to reduce from £6.2m in 2020-21 to £1.058m by 2025-26. The forecast for the actions which have been quantified will realise mitigating actions and cost avoidance from £1.7m in 2021-22 to £4.1m by 2025-26. However, although the pressure is forecast to slow down, the cumulative deficit will increase before a reduction occurs which is likely to be by 2024-25.</p> <p>The Department for Education has invited the Council to participate in the Delivering Better Value in SEND support programme. The programme will provided dedicated support and funding to help 55 local authorities with substantial, but less severe, deficit issues to reform their high needs systems. The DBV is a 3-year transformation programme which will include conducting a comprehensive diagnostic process to identify the underlying cost drivers of the high needs system and potential reforms to manage/mitigate these cost drivers more effectively. It is anticipated that this programme will commence in the autumn of 2022.</p>	5	5	25	5	5	25	There has been an increase in DSG funding, however, this is still not sufficient to bring down cumulative deficit.

**Action Plan** **CMT Sponsor:** Strategic Director Children and Young People

- To reduce costs to set an in year balanced budget and then start to recover the cumulative deficit through:
1. The introduction of the SEN Support service with the expectation to manage demand, as part of the Graduated Response Programme; improved quality EHCP assessment; and person centred planning and SMART annual reviews. Therefore, young people will be provided with earlier support, thereby reducing the need for an EHCP to trigger additional support. £0.5m has been approved by the Schools Forum for SEN Support and the pilot commenced in September 2021.
  2. Looking to establish more SEND provision in the borough as part of the School Place Planning Strategy Refresh, including developing new Additionally Resourced Provisions in the academic year 2022/2023. This will reduce the need for young people to be placed in schools in other boroughs.
  3. Ensuring there is full cost recovery from other local authorities that place pupils in Brent special schools including administration and other specific costs. A 5% charge applied on the top-up element for all placing authorities is now effective from September 2021, in recognition of the additional services put into place by Brent. This would generate c£0.04m income in this financial year pro rata.
  4. Continued central government lobbying.

## D. Lack of supply of affordable accommodation

Risk Summary	Recent Developments, Progress and Concerns	Previous Risk Score			Updated Risk Score			Forward Trend Comments
		I	L	T	I	L	T	
<p>There is a risk that as a result of the limited supply of affordable accommodation, in the PRS, settled Temporary Accommodation (TA) and Social Housing, progress made towards increasing the sufficient supply of accommodation to meet the demand from homeless households could be reversed. This could lead to greater reliance on emergency temporary accommodation, which would have impacts on the wellbeing and quality of life for residents, and also provide an additional burden on the general fund.</p>	<p>In 2012, Brent had 3,176 homeless households living in TA, which was the largest number in the country. By 2018, this number had reduced to 2,450 and it now stands at 1,584. With progress being made on the New Council Homes programme, we believe we will meet the need for 1-3 bedroom properties. The picture is more limited for families in need of a 4+ bed accommodation, where we will believe a significant shortfall will remain.</p> <p>The recent economic downturn related to the Covid pandemic and the cost of living crisis has resulted in many households facing the risk of homeless. Some of these households are affected by the Overall Benefit Cap, which makes finding alternative private rented accommodation in the borough extra difficult. This means that the families are unable to afford Private Rented Accommodation (at the LHA rate) or settled temporary accommodation, in TA leasing schemes.</p> <p>The greatest control we can exert on the model is building new Council-owned supply, and encouraging RSLs to build what we need. We can also exert control through social housing re-lets/voids, private rented sector offers, and new build social housing. The Team are also working with the affected families to support them to secure work, and so be exempt from the cap, as well as identifying households who are accruing debt, in order to proactively make contact and offer assistance at an earlier stage, to prevent homelessness.</p> <p>The Housing Needs Service are working with Notting Hill Genesis HA, who supply TA through the HAL scheme, to procure more property in the North of Brent, where LHA rates are lower.</p>	5	4	20	5	2	10	Mitigating actions have continued to reduce the likelihood of this risk occurring.
<b>Action Plan</b>		<b>CMT Sponsor:</b> Strategic Director Community and Wellbeing						
<ol style="list-style-type: none"> <li>1. To continue delivering the NCHP at pace, with a focus on large family homes.</li> <li>2. To continue to look at additional purchases of street properties that meet specific needs.</li> <li>3. To continue review and explore options for the building of a new temporary accommodation scheme that would provide an additional 100 units of temporary accommodation.</li> </ol>								

## E. Cyber Attacks

Risk Summary	Recent Developments, Progress and Concerns	Previous Risk Score			Updated Risk Score			Forward Trend Comments
		I	L	T	I	L	T	
<p>There is a heightened threat of Cyber-attacks, if they were successful this would potentially impact all services, to the extent that they would be unable to provide a service in the first instance, data may be published online and ICO significant fines result, this would have significant reputational damage to the Council</p>	<p>A number of Councils have been subject to Cyber-attacks, the Cabinet Office are advising that there is a heightened security risk level at the current time. The protections in place for the Council, to prevent an intrusion are considered high however, recent experience has been attacks on backups. Brent have implemented additional controls around the backup process, including taking and storing of off line backups for added security. If the Council were subject to an attack restoring from the backups would take a considerable amount of time and there is a risk to some applications, which may not be recoverable.</p> <p>The Council achieved Cyber Essentials accreditation in in February 2022, which is a statement of controls in place to mitigate the risk from common cyber threats.</p> <p>Other achievements to date include:</p> <ul style="list-style-type: none"> <li>• Multi factor authentication (MFA) has been implemented for all Office 365 access.</li> <li>• Annual training is mandated for all staff and phishing simulations to both staff and elected members.</li> <li>• Replacement of all end-of-life mobile phones to ensure that mobile phones in use continue to be in support from the vendor, thus receiving security updates.</li> <li>• Monitoring of guidance released from the National Cyber Security Centre and implementing those recommendations where appropriate, such as a new password policy due to be communicated Q1 2022.</li> <li>• Meeting compliance regimes, e.g. Public Services Network (PSN),</li> <li>• Payment Card Industry (PCI) and the Health and Social Care Network.</li> <li>• Incident management – Playbooks have been developed to test and measure our incident response and disaster recovery response capabilities.</li> </ul>	5	3	15	5	3	15	Risk remains stable.
<b>Action Plan</b>		<b>CMT Sponsor:</b> Strategic Director Customer and Digital Services						
<p>1. A back-up solution (Rubrik) has been procured and installed that provides a secure backup data storage solution. The bulk of backup workloads have been migrated, though there are still some email and Oracle database data to migrate, which is in progress.</p>								

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## F. Failure to Deliver Planned Savings

Risk Summary	Recent Developments, Progress and Concerns	Previous Risk Score			Updated Risk Score			Forward Trend Comments
		I	L	T	I	L	T	
<p>Savings proposals could be subject to delays and unforeseen issues, this would mean that services would be overspent and that we would be unable to manage demand, resulting in other efficiencies having to be made or funding be found from elsewhere in the council.</p>	<p>The Council will have delivered total cumulative savings of £196m between 2010 and 2023, and it is clear that over the remainder of the Spending Review period into 2023/24 and 2024/25 further savings will be required. The lack of clarity about the future of local government financing makes it hard to be precise about future financial targets, but the working assumption is that further savings will need to be identified.</p> <p>The Council monitors the delivery of planned savings, and mitigating actions where relevant, on a quarterly basis and these are reported to CMT and Cabinet.</p> <p>As part of the draft budget for 2022/23, savings that were previously agreed were reviewed. The most recent update suggests that the majority of savings are on track to be delivered and that for other savings, mitigating actions can be implemented.</p>	4	4	16	4	2	8	<p>Likelihood reduced as budget agreed which provides more certainty. Savings have formed part of the business plan since February 2021.</p>
<b>Action Plan</b>		<b>CMT Sponsor:</b> Director of Finance						
<p>1. To continue the ongoing robust budget monitoring regime and framework.</p>								

## G. Budget Setting

Risk Summary	Recent Developments, Progress and Concerns	Previous Risk Score			Updated Risk Score			Forward Trend Comments
		I	L	T	I	L	T	
<p>There is a risk that the budget setting process does not account for emerging unknowns, and as a result unrealistic savings targets are set.</p> <p>Page 62</p>	<p>Forecasting over the medium term has been, and continues to be, extremely difficult. There is a high level of uncertainty over the medium term due to the delays in funding reforms, single year financial settlements that make long term planning challenging, the continuing impacts of COVID-19 on residents and businesses in the borough and the impact of BREXIT. There is also considerable uncertainty in the economy caused by exceptional factors such as high levels of inflation, particularly for fuel and energy, and the global impact of war in Ukraine. These macro-economic factors together with local changes to demographics and demand-led pressures combine to create significant uncertainty for the Council over the medium term. The significance of the financial challenge cannot be underestimated and measures are being taken to ensure that the Council continues to operate in a financially sustainable and resilient way.</p> <p>A fundamental review of the Medium Term Financial Strategy (MTFS) was agreed by Council in February 2021 for the period 2021/22 to 2022/23. As part of this review, sensitivity analysis and scenario modelling was undertaken on all aspects of the MTFS, including income assumptions, expenditure assumptions and savings assumptions. A further review is planned as part of the 2023/24 budget setting process, which will cover the period 2023/24 to 2025/26 (i.e. the final year of the current administration). This is to ensure the long term financial sustainability of the Council, in order to capture the economic outlook, demand pressures and funding risks in the medium term.</p>	5	2	10	5	1	5	Likelihood reduced as budget agreed for 22/23.
<b>Action Plan</b>		<b>CMT Sponsor:</b> Director of Finance						
<ol style="list-style-type: none"> <li>Risk to continue to be monitored and addressed via the budget setting and MTFS process.</li> </ol>								


## H. Recruitment and Retention

Risk Summary	Recent Developments, Progress and Concerns	Previous Risk Score			Updated Risk Score			Forward Trend Comments
		I	L	T	I	L	T	
<p>Failure to recruit and retain sufficient permanent staff to a significant number of posts, including senior managers, leaves services without sufficient and/or sufficiently qualified staff leading to services being impaired and an overreliance on agency/interim staff.</p>	<p>Action continues to be taken to identify 'hard to fill' posts and put in place strategies to address recruitment shortcomings (e.g. Social Workers - Overseas recruitment and new service provided by our managed service provider (MSP) for agency staff in relation to permanent roles).</p> <p>Work continues to take place to identify roles where the new service provided by our MSP may be effective as well as reviewing the success of this new service.</p> <p>A range of potential incentives have also been implemented, including financial supplements that can be applied to 'hard to fill' posts and the Key Worker housing scheme.</p> <p>A number of new 'grow your own' incentives in Learning and Development have also been implemented, including coaching and mentoring programmes, leadership and development programmes, and expanding the upskilling of apprenticeships.</p> <p>Operationally, the new Oracle recruitment system is now in place which makes it easier for Managers to use, but also provides a better and more user friendly experience for applicants.</p> <p>A new arrangement has been agreed with LinkedIn to promote Council adverts and vacancies. Head-hunting also continues via the MSP and external recruitment agencies for specialist/hard to recruit to roles.</p>	n/a – new risk			3	3	9	This is a new risk – however, risk is demonstrating an upward trend owing to a range of contributing factors.
<b>Action Plan</b>		<b>CMT Sponsor:</b> Director of Legal, HR, Audit and Investigations						
<p>1. Ongoing review and implementation of improvements to the recruitment and selection process to improve applicant and candidate experience and reduce the time to fill e.g. changing the requirement for all applicants to undergo a pre-health screening assessment to a risk- based approach.</p>								

## I. Contract Management

Risk Summary	Recent Developments, Progress and Concerns	Previous Risk Score			Updated Risk Score			Forward Trend Comments
		I	L	T	I	L	T	
<p>There is a risk that due to operational, commercial, environmental or relationship issues, an important, high profile front line service may start to fail causing reputational problems for the council.</p>	<p>The contract management framework has been reviewed, revamped and updated.</p> <p>New Contract training module created and sessions undertaken with Children’s and Young People commissioners and more recently at the Commissioning Network.</p> <p>A New Risk Assessment Tool has also been developed.</p> <p>There is now a finalised contract register that will be reviewed and updated as new contracts are added.</p> <p>Further segmentation training has been undertaken and has been used in Procurements commencing from July 21, with retrospective segmentation to be completed for all existing high spend contracts.</p> <p>A contract review template was created and signed off for ‘Gateway 3’. This is conducted at the mid-term period of a contract valued above £2m and assesses if suppliers are adhering to the performance KPIs / outcomes set out in the contract and if we should be looking to invoke the extension clauses when they come up.</p>	3	3	9	3	3	9	Risk remains stable.
<b>Action Plan</b>		<b>CMT Sponsor:</b> Strategic Director Customer and Digital Services						
<ol style="list-style-type: none"> <li>1. Continue to review and update the contracts register.</li> <li>2. Review contracts which are expiring up to Mar 23 to look at the actual spend incurred in the last financial year.</li> <li>3. Work with the Directorates to review our commissioning intentions to determine if there are any opportunities through decommissioning, economies of scale or bottom line savings that can be delivered to support council objectives for contracts that require re-procuring.</li> <li>4. Internal Audit are due to complete a review of the Contract Management tools and how effective the Council is contract managing its contracts, the findings and recommendations will be used to feed into this risk summary.</li> </ol>								

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 <b>Brent</b>	<b>Audit &amp; Standards Advisory Committee</b> 7 June 2022
	<b>Report from the Director of Finance</b>
<b>Treasury Management Outturn Report 2021/22</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Not Applicable
<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>	Three  Appendix 1: Debt and Investment Portfolio Appendix 2: Prudential Indicators Appendix 3: Internal Investments – Average Rate vs Credit Risk
<b>Background Papers:</b>	None
<b>Contact Officer:</b>	Amanda Healy Head of Finance Tel: 020 8937 5912 <a href="mailto:Amanda.healy@brent.gov.uk">Amanda.healy@brent.gov.uk</a>  Sacha Bakhtiar Senior Finance Analyst Tel: 020 8937 4039 <a href="mailto:Sacha.bakhtiar@brent.gov.uk">Sacha.bakhtiar@brent.gov.uk</a>

## 1.0 Introduction

1.1 This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2021/22.

## 2.0 Recommendations

2.1 The Audit and Standards Advisory Committee is asked to consider and note the 2021/22 Treasury Management Outturn report, in compliance with CIPFA's Code of Practice on Treasury Management (the Code).

- 2.2 The Audit and Standards Advisory Committee is asked to note that for 2021/22 the Council has 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.

### **3.0 Background**

- 3.1 The Council's treasury management activity is underpinned by the CIPFA Code, which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year.
- 3.2 The Council has borrowed money over the long term to support investment in the Council's infrastructure and also invests cash balances held for short periods. It is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are central to the Council's treasury management strategy.
- 3.3 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report.
- 3.4 The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 8 February 2021.

### **4.0 Economic Background**

- 4.1 The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.
- 4.2 The Bank of England's base rate was 0.1% at the beginning of the reporting period. April and May 2021 saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.
- 4.3 UK CPI inflation was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong

demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.

- 4.4 The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.
- 4.5 With the fading of lockdown – and, briefly, the 'pingdemic' – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.
- 4.6 Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.
- 4.7 In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.
- 4.8 GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, was well above the European Central Bank's target of 'below, but close

to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

- 4.9 The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.
- 4.10 The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.
- 4.11 Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.
- 4.12 The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10 year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.
- 4.13 The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

## **5.0 Revised CIPFA code and PWLB Lending guidance**

- 5.1 In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
- 5.2 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 5.3 The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The Council has chosen to delay introducing the revised reporting requirements until the 2023/24 financial year.
- 5.4 To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decisions that will increase the CFR unless directly and primarily related to the functions of the Council. Existing

commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

- 5.5 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local Council's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.
- 5.6 Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.
- 5.7 The Council will follow the same process as the Prudential Code, i.e. delaying changes in reporting requirements to the 2023/24 financial year.

## **6.0 Local Context**

- 6.1 On 31st March 2022, the Council had total borrowing of £684.6m arising from its revenue and capital income and expenditure. The Council's underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

## Table 1: CFR and Borrowing Summary

Table 1: Balance Sheet Summary

	31.3.22 Actual £m
General Fund CFR	730.2
HRA CFR	269.4
<b>Total CFR</b>	<b>999.6</b>
*Other debt liabilities	25.6
<b>Borrowing CFR</b>	<b>1,025.2</b>
External borrowing	684.6
<b>Internal (over) borrowing</b>	
Less: Usable reserves	(384.0)
Less: Working capital	(202.0)
<b>Investments (or new borrowing)</b>	<b>98.6</b>

\* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

- 6.2 Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.
- 6.3 The treasury management position at 31st March 2022 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.21 Balance £m	Movement £m	31.3.22 Balance £m	31.3.22 Rate %
Long-term borrowing	537.6	27.6	565.2	3.80%
Short-term borrowing	125.5	(6.1)	119.4	0.38%
<b>Total borrowing</b>	<b>663.1</b>	<b>21.5</b>	<b>684.6</b>	
Cash and cash equivalents:* Money Market Funds	82.7	15.9	98.6	<b>0.06%</b>
Local Authority	20.0	(20.0)	-	
<b>Total investments</b>	<b>102.7</b>	<b>(4.1)</b>	<b>98.6</b>	
<b>Net borrowing</b>	<b>560.4</b>	<b>25.6</b>	<b>586.0</b>	

\* This relates to our short term Treasury investments (Money Market Funds and DMA deposits). Cash balances held are not deemed an investment so are not included in the above total.

- 6.4 Cash and cash equivalent investments represent deposits which are readily convertible into cash at immediate notice. Included within this total are Money Market Funds (MMF's) which are mutual funds which invest in high-quality short-term debt. Also included is the Debt Management Agency Deposit Facility (DMADF), which provides fixed deposits and is managed by the Debt Management Agency, which is a part of HM Treasury.
- 6.5 Borrowing has increased slightly in the past year, in order to meet the requirements of our long term Capital investment programme.
- 6.6 The Council is not planning to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

## 7.0 Borrowing Strategy

- 7.1 At 31st March 2022 the Council held £684.6m of loans, (an increase of £21.5m in year), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below

Table 3: Borrowing Position

	<b>31.3.21 Balance £m</b>	<b>Net Movement £m</b>	<b>31.3.22 Balance £m</b>	<b>31.3.22 Weighted Average Rate %</b>	<b>31.3.22 Weighted Average Maturity (years)</b>
Public Works Loan Board	376.7	30.4	407.1	3.99%	26.7
LOBO loans	70.5	-	70.5	3.34%	42.5
Fixed Rate Loans (LT)	95.0	-	95.0	3.34%	23.7
Local Authority Loans (LT)	5.0	(5.0)	-		
Local Authority Loans (ST)	115.9	(3.9)	112.0	0.38%	0.36
<b>Total External Borrowing</b>	<b>663.1</b>	<b>21.5</b>	<b>684.6</b>		

- 7.2 The Council has continued to borrow where necessary over the past year to meet the funding requirements of the agreed capital programmes.
- 7.3 The Council's borrowing decisions are not predicated on any one outcome for interest rate and a balance portfolio of short-term and long-term borrowing was maintained.
- 7.4 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark,

which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of borrowing based on realistic projections, it was decided to take a combination of both short-term borrowing and long-term repayment loans (with a mixture of both EIP and Maturity loan structures). The Council has borrowed through a combination of long-term fixed rate loans. Details around the new loans taken out in the current financial year are provided below. These loans provide some longer-term certainty and stability to the debt portfolio.

<b>Loan-dated Loans borrowed</b>	<b>Amount (£m)</b>	<b>Rate (%)</b>	<b>Period to maturity (years)</b>
PWLB EIP Loan	30	1.72	14.62
PWLB Maturity Loan	5	2.06	19.94
PWLB Maturity Loan	5	1.98	19.94

- 7.5 PWLB funding margins have lurched quite substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.
- 7.6 The Council continues to hold £70.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

### **Other Debt Activity**

- 7.7 During the year, the Council entered into a 999-year lease for property at 330 Ealing Road, Alperton, which is to be developed into affordable housing. The Council will make 47 annual payments for the property, starting at £1.1m in 2026 and rising each year by CPI+1%.
- 7.8 Since the housing will be let to tenants using the Council's powers under the Housing Act 1985, the lease will be accounted for within the Housing Revenue Account.
- 7.9 When construction of the housing is complete, expected to be in March 2025, the housing will be shown on the balance sheet as an asset at an estimated value of £46.5m, with the liability increased by an identical amount.

## 8.0 Investment Activity

- 8.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 8.2 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves. During the year, the Council's investment balances ranged between £38.6m and £150.2m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.21	Net	31.3.22	31.3.22	31.3.22
	Balance	Movement	Balance	Income Return	Weighted Average Maturity
	£m	£m	£m	%	days
Local authority deposit	20.0	(20.0)	-		
Money Market Funds	82.7	15.9	98.6	0.14	131
<b>Total investments</b>	<b>102.7</b>	<b>(4.1)</b>	<b>98.6</b>		<b>131</b>

- 8.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 8.4 Ultra low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers have temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March. At 31st March, the 1-day return on the Council's MMFs ranged between 0.38% - 0.47% per annum.

- 8.5 Given the low interest rate environment and the Council's borrowing need, there was a focus on holding short term investments, providing the Council with improved liquidity. There was also a focus on holding funds with high credit ratings, providing increased security over the Council's investment portfolio.
- 8.6 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Weighted Average Maturity (days)</b>	<b>Rate of Return %</b>
31.03.2021	4.92	A+	81%	2	0.03%
31.03.2022	5.06	A+	100%	1	0.52%
<b>Similar LAs</b>	4.38	AA-	62%	40	1.25%
<b>All LAs</b>	4.39	AA-	60%	14	2.10%

\*Weighted average maturity

- 8.7 In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.

### **Non-Treasury Investments**

- 8.8 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return). The non-Treasury investments are held to further service objectives and are therefore categorised as for service purposes. The non-Treasury investments are classified under shareholdings to subsidiaries and loans to subsidiaries, detailed in 8.10 below. The Council does not hold any non-treasury investments for commercial purposes.
- 8.9 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 8.10 The Council also held £213.5m of such investments in:

- Shareholding in subsidiaries £79.7m.
- Loans to subsidiaries £133.8m.

8.11 I4B Holdings Limited is a company wholly owned by Brent Council that was incorporated on 16 December 2016. The primary purpose of the company is to deliver the housing options defined in the Temporary Accommodation reform plan. As of 31<sup>st</sup> March 2022, the Council had provided funding of £178.4m to i4B (2020/21: £158.3m) comprised of a number of soft loans and equity. The Council received £4.0m (2020/21: £3.7m) in interest and fees for loans to I4B. The loans are secured against the company's 523 properties.

8.12 First Wave Housing (FWH) is a registered provider of housing in Brent and is wholly owned by Brent Council. FWH was setup to manage properties previously owned by Brent Housing Partnership (BHP). The Council received £1.1m (2020/21: £1.1m) in interest for loans to FWH. As of 31 March 2022, there were outstanding loans to Brent Council totalling £35.1m (2020/21: £36.0m) which are secured against the company's 329 properties.

8.13 These investments generated £5.1m (2020/21 £4.8m) of investment income for the Council in 2021/22. These investments generate higher returns than money market fund deposits, reflecting the additional risks to the Council of holding such investments.

## **9.0 Compliance**

9.1 The Director of Finance reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

9.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated within Appendix 2 (Debt Limits).

## **10.0 Investment Training**

10.1 The needs of the Council's treasury management staff for training in investment management are kept under review. These are considered as part of the staff appraisal process and additionally, when the responsibilities of individual members of staff change.

## **11.0 Financial Implications**

11.1 Already noted within the report as this is the Treasury Management Outturn Report.

## **12.0 Legal Implications**

12.1 None identified.

## **13.0 Diversity Implications**

2021/22

13.1 None identified.

Related Documents:

Treasury Management Strategy Report to Council – 22 February 2021

**Report sign off:**

***Minesh Patel***

Director of Finance

## Appendix 1

### Debt and Portfolio Investment Position 31/03/2022

#### Appendix 1

#### Debt and Investment Portfolio 31/03/22

	<b>Actual Portfolio £m 31/03/2022</b>	<b>Average Rate as at 31/03/2022 %</b>
<b>External Borrowing:</b>		
PWLB - Maturity	288.9	5.3
PWLB - Equal Instalments	118.2	2.2
Fixed Rate Market Loans	95.0	4.3
LOBO Loans	70.5	4.5
Short-term Loans	112.0	3.3
<b>Total External Borrowing</b>	<b>684.6</b>	<b>3.2</b>
<b>Other Long Term Liabilities:</b>		
PFI	22.1	9.5
Other	3.5	4.1
<b>Total Long Term Liabilities</b>	<b>25.6</b>	<b>9.2</b>
<b>Total Gross External Debt</b>	<b>710.2</b>	<b>3.5</b>
<b>Investments:</b>		
Money Market Funds	98.6	0.1
<b>Total Investments</b>	<b>98.6</b>	<b>0.1</b>
<b>Net Debt</b>	<b>611.6</b>	

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## Appendix 2

### Prudential Indicators

#### (a) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2021/22 is shown in the table below.

<b>Capital Financing Requirement</b>	<b>31/03/2022 Estimate £m</b>	<b>31/03/2022 Actual £m</b>
General Fund	764.3	730.2
HRA	291.7	269.4
<b>Total CFR</b>	<b>1,056.0</b>	<b>999.6</b>

#### (b) Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term, debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

<b>Debt</b>	<b>31/03/2022 Estimate £m</b>	<b>31/03/2022 Actual £m</b>
Borrowing	456.5	684.6
PFI Liabilities	23.8	22.1
Other	3.5	3.5
<b>Total Debt</b>	<b>483.8</b>	<b>710.2</b>
<b>Capital Financing Requirement</b>	<b>1,056.0</b>	<b>999.6</b>
<b>Borrowing in excess of CFR?</b>	<b>No</b>	<b>No</b>

### **(c) Authorised limit and Operational Boundary for External Debt**

The Operational Boundary for External Debt is based on the Council's estimate of most likely i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring.

Other long-term liabilities comprise finance leases, Private Finance Initiative contracts and other liabilities that are not borrowing but form part of the Council's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

	<b>Operational Boundary £m</b>	<b>Authorised Limit £m</b>	<b>Actual External Debt £m 31/03/2022</b>
Borrowing	1,100.0	1,300.0	684.6
Other Long Term Liabilities			25.6
<b>Total</b>	<b>1,100.0</b>	<b>1,300.0</b>	<b>710.2</b>

The Director of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2021/22.

### **(d) Upper Limits on one-year revenue impact of a 1% movement in interest rates**

This indicator is set to control the Council's exposure to interest rate risk. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

	<b>2021/22 Approved Limits £m</b>	<b>31/03/2022 Actual £m</b>
<b>Upper limit on one-year revenue impact of a 1% rise in interest rates</b> Compliance with limits:	<b>5.0</b>	<b>0.1</b> Yes
<b>Upper limit on one-year revenue impact of a 1% fall in interest rates</b> Compliance with limits:	<b>5.0</b>	<b>0.1</b> Yes

### **(e) Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The Council uses the option date as the maturity date for its LOBO loans.

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual Fixed Rate Borrowing at 31/3/2022</b>	<b>% of Fixed Rate Borrowing at 31/3/2022</b>	<b>Compliance with set limits?</b>
	<b>%</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>Yes / No</b>
Under 12 months	40%	0%	119	17%	Yes
12 months and within 24 months	40%	0%	7	1%	Yes
24 months and within 5 years	40%	0%	21	3%	Yes
5 years and within 10 years	60%	0%	35	5%	Yes
10 years and within 20 years	75%	0%	117	17%	Yes
20 years and within 30 years	75%	0%	102	15%	Yes
30 years and within 40 years	75%	0%	224	33%	Yes
40 years and within 50 years	75%	0%	61	9%	Yes
50 years and above	75%	0%	0	0%	Yes
			<b>684.6</b>	<b>100%</b>	

#### (f) Capital Expenditure

The indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

<b>Capital Financing Requirement</b>	<b>31/03/2022 Estimate £m</b>	<b>31/03/2022 Actual £m</b>
General Fund	764.3	730.2
HRA	291.7	269.4
<b>Total CFR</b>	<b>1,056.0</b>	<b>999.6</b>

#### (g) Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>31/03/2022 Estimate</b>	<b>31/03/2022 Actual</b>
Financing costs	33.3	23.9
Proportion of net revenue stream (%)	11.0%	7.8%

#### (h) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council adopted the principals of best practice.

Statement: The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 (2017 Edition).

#### (i) Upper Limit for Total Principal Sums invested over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

<b>Upper Limit for Total Principal Sums Invested Over 364 Days</b>	<b>31/3/2022 Approved</b>	<b>31/3/2022 Actual</b>
	<b>£m</b>	<b>£m</b>
Limit on principal invested beyond a year	50	0

### **(j) Security**

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

<b>Credit Risk Indicator</b>	<b>31/3/2022 Target</b>	<b>31/3/2022 Actual</b>
Portfolio average credit rating	A	A+

### **(k) Liquidity**

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

<b>Liquidity Risk Indicator</b>	<b>31/3/2022 Target £m</b>	<b>31/3/2022 Actual £m</b>
Total cash available within 3 months	20	98.6

**(l) Investment Limits**

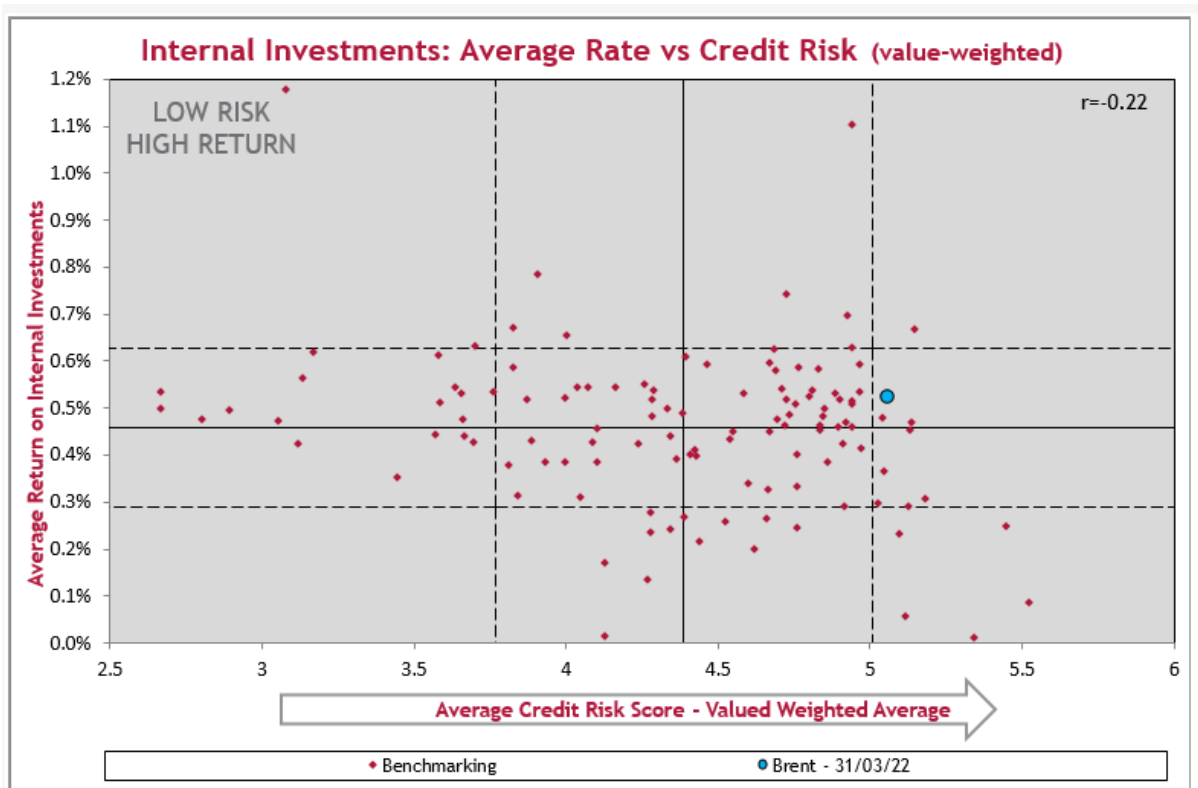
	<b>2021/22 Maximum £m</b>	<b>31.3.22 Actual £m</b>	<b>2021/22 Time Limit</b>	<b>Complied?</b>
Any single organisation, except the UK Government	20	£20m	n/a	Yes
UK Government	Unlimited	-	50 years	Yes
Local Authorities & Other Government Entities	Any	-	25 years	Yes
Banks (unsecured)	£20m	-	13 months	Yes
Building societies (unsecured)	£20m	-	13 months	Yes
Registered providers and registered social landlords	£20m	-	5 years	Yes
Secured investments	£20m	-	5 years	Yes
Money market funds	Lower of 5% of total net assets of the fund or £20m	£20m or 5% of total net assets of the fund where appropriate	n/a	Yes
Strategic pooled funds	£20m	-	n/a	Yes
Real estate investment trusts	£20m	-	n/a	Yes
Other investments	£50m	-	n/a	Yes

**(m) Debt Limits**

	<b>2021/22 Maximum (£m)</b>	<b>31.3.22 Actual (£m)</b>	<b>2021/22 Operational Boundary (£m)</b>	<b>2021/22 Authorised Limit (£m)</b>	<b>Complied?</b>
Total debt	1,100	710.2	1,100	1,300	Yes


### Appendix 3

#### Internal Investments: Average Rate vs Credit Risk as at 31/03/2022



The Council measures the financial performance of its treasury management activities against similar Council's through benchmarking provided by Arlingclose. The average credit ratings of our investment counterparties are higher than the average for other local authorities for those obtaining similar yields

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 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> <b>7<sup>th</sup> June 2022</b>
	<b>Report of the Director of Finance</b>
<b>CIPFA consultation on temporary changes to infrastructure assets accounting</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Not applicable
<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. There is an issue at other local authorities who have not had their 2020-21 accounts signed off with how local authorities account for Infrastructure assets, such as highways.
- 1.2. In essence, the core of the issue is that most local authorities do not hold enough data to meet some of the specific requirements of the code. For instance, most local authorities do not hold the detailed historic cost of their highways infrastructure, so if they replace a traffic light, they cannot remove cost of the old traffic light to replace it with a new one. The CIPFA Code of Practice currently requires such costs to be removed.
- 1.3. CIPFA is consulting on an urgent set of changes to the code to address these issues. This is so that the other authorities' 2020-21 accounts can be signed off, and so that this will not cause a problem for 2021-22.

## 2.0 Recommendation

- 2.1 The Director of Finance responds to the consultation from CIPFA on changes to the Code of Practice to address this issue

- 2.2 The committee notes the risk that if for some reason these changes cannot be made that auditors may be unable to finalise their opinion of the council's accounts for 2021-22.
- 2.3 Note that the council's draft Statement of Accounts will be prepared on the basis that the proposed changes are adopted.

### **3.0 Background**

- 3.1 Local authorities are required to complete their Statement of Accounts in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code of Practice). This document is prepared, maintained developed and devised by the CIPFA LASAAC Local Authority Code Board. The board is a partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).
- 3.2 The Code of Practice requires that Property, Plant and Equipment Assets are componentised into components that depreciate at different rates. For instance, a house might be broken down into four components: the main structure, windows, roof, and fixtures and fittings. When one of these components is replaced, e.g. new windows are fitted, the remaining carrying value of the old windows has to be removed before the cost of the new windows is added.
- 3.3 Similarly, the Code of Practice requires Highways Infrastructure to be broken down into its component parts. There was a national initiative to devise a scheme to do this consistently across local authorities, detailed in the CIPFA Code of Practice on the Highways Network Assets. This would have required valuation of the council's entire highways infrastructure, breaking it down into separate items such as number of traffic lights and valuation of the depreciated replacement cost for each of these components.
- 3.4 The core problem is that local authorities do not hold enough historic information to componentise Highways Infrastructure Assets, such as traffic lights, in line with the CIPFA Code of Practice. The CIPFA Code of Practice on the Highways Network Assets addressed this by setting out a valuation methodology that did not require this historic information.
- 3.5 CIPFA LASAAC Local Authority Code Board stopped the incorporation of these standards into the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom in 2017, as a lack of central support for the valuations meant that the perceived costs of adoption outweighed the benefits.
- 3.6 This has left an issue with the Code of Practice, which has gone largely unremarked until the audit of the 2021-22 accounts, when one of the auditors focused in on this issue, and was unwilling to sign off accounts of the local authorities it audited for this reason.

- 3.7 As a result of this issue CIPFA LASAAC started a process to review the Code of Practice. This review resulted in a consultation on proposed changes. These changes include:
- confirming the accounting consequences of derecognition, e.g. that the effect on the carrying amount is nil (on a presumption that the replaced parts are fully depreciated);
  - temporarily adapting the code to remove the reporting requirements for gross historical cost and accumulated depreciation; and
  - providing extra guidance on how depreciation may be applied for infrastructure assets.
- 3.8 This consultation runs from the 12<sup>th</sup> May to 14<sup>th</sup> June. The timing of this means that the final response may not be ready in time for the council's draft accounts. The draft accounts will therefore be prepared on the assumption that the proposals are adopted. This may necessitate changes to the council's Statement of Accounts during audit if CIPFA LASAAC significantly modifies its proposals.
- 3.9 This will also need a longer term solution, which will presumably be developed by CAPFA LASAAC, with a subsequent consultation.
- 3.10 It is worth noting that from Brent's perspective the impact of any possible inaccuracy within these figures is minimal: the council does not use these figures to inform its maintenance or capital works programmes for highways, it has separate condition surveys to inform these. Also, central government is well aware of the limitations of these figures (central government was a key player in the development of the Code of Practice on the Highways Network Assets).

#### **4.0 Financial Implications**

- 4.1 The principal risks are that either:
- the changes do not proceed and therefore this issue is unresolved, or
  - that the changes do not fully resolve the issue.
- If either of these risks come to pass then the auditors may be unable to issue their final opinion on the council's 2021-22 Statement of Accounts, and the council will be unable to issue its final accounts.
- 4.2 A more minor risk is that the proposals are changed when finalised after the council publishes its draft Statement of Accounts to the extent that these require the draft Statement of Accounts to be revised before final publication.

#### **5.0 Legal Implications**


- 5.1 The Code of Practice is specified by Regulation 31 of the Local Authorities (Capital Finance and Accounting) (England) Regulations, as amended as one of the Codes setting out proper practices Local Authorities are required to follow under section 21(2) of the Local Government Act 2003. Local Authorities are therefore required to produce their Statement of Accounts in line with the Code of Practice.

## 6.0 Equality Implications

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

**Report sign off:**

**Minesh Patel**  
Director of Finance

 <p><b>Brent</b></p>	<p align="center"><b>Audit and Standards Advisory Committee</b> 7 June 2022</p>
	<p align="center"><b>Report from the Director of Legal, HR and Audit &amp; Investigations</b></p>
<p><b>Internal Audit Annual Report 2021-22</b></p>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not applicable
<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>	One Appendix 1 – Internal Audit Annual Report
<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 outlines the work undertaken by Internal Audit in respect of delivery of the 2021-22 Internal Audit Plan.
- 1.2 The report is intended to support the Audit and Standards Advisory Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by summarising delivery of the Internal Audit plan, updating on the performance of the function, highlighting areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.
- 1.3 The report also includes the Head of Internal Audit's annual opinion on the Council's system of internal control.

## 2. Recommendation

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

## 3. 2021-22 Internal Audit Annual Report

- 3.1 The Accounts and Audit Regulations 2015 require the Council to undertake an internal audit of its control systems, taking into account the Public Sector 2

Internal Audit Standards<sup>2</sup> (PSIAS). These require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion, and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

3.2 The Internal Audit Annual Report for 2021-22 is attached at Appendix 1, and covers the following sections:

- Role of Internal Audit – *page 2*
- Delivery of the 2021-22 Plan – *pages 2-6*
- Follow-up activity – *page 6*
- Head of Audit Opinion – *pages 6-8*
- Quality Assurance and Improvement Plan – *pages 8-10*
- Appendix A – Status and delivery of the 2021-22 Plan
- Appendix B – Summary of audits completed in Q4 2021-22
- Appendix C – Summary of follow-up activity

#### **4. Financial Implications**

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

#### **5. Legal Implications**

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

#### **6. Equality Implications**

None

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

None

**Report sign off:**

**Debra Norman**

Director of Legal HR Audit and Investigations



# Internal Audit Annual Report

Brent Council  
2021-22

## 1. Introduction

This report outlines the work undertaken by Internal Audit in respect of delivery of the 2021-22 Internal Audit Plan.

The report is intended to support the Council's Management Team and the Audit and Standards Advisory Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by summarising delivery of the Internal Audit plan, updating on the performance of the function, highlighting areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

The report has been structured to cover the following sections:

- Role of Internal Audit – *page 2*
- Delivery of the 2021-22 Plan – *pages 2-6*
- Follow-up activity – *page 6*
- Head of Audit Opinion – *pages 6-8*
- Quality Assurance and Improvement Plan – *pages 8-10*
- Appendix A – Status and delivery of the 2021-22 Plan
- Appendix B – Summary of audits completed in Q4 2021-22
- Appendix C – Summary of follow-up activity

## 2. Role of Internal Audit

The Council's Internal Audit function is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out the requirements for public sector internal auditing and encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework. The delivery of the service is also underpinned by the Internal Audit Charter (approved by the Committee in December 2021), which defines the purpose, authority, responsibility and position of Internal Audit within Brent Council.

A professional, independent and objective internal audit function is a key element of good governance. The PSIAS defines internal auditing as *'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'*.

The Internal Audit function operates a co-sourced service delivery model, where internal audit services are provided by in-house staff, with a small portion of work delivered by a co-sourced provider, PwC.

## 3. Delivery of the 2021-22 Plan

The service complies with the requirements of the PSIAS by ensuring that an annual risk-based audit plan is prepared and delivered.

The 2021-22 Internal Audit Plan was approved by the Audit and Standards Advisory Committee in March 2021. The plan originally had a total of 37 audits

(excluding follow up reviews, schools audits and advisory work) together with 13 audits that were carried forward from 2020-21.

During the year and through delivery of the plan the Internal Audit function liaised with senior management and stakeholders to ensure that all planned audit work continued to focus on high risk areas and considered any new or emerging issues. Following this liaison and consultation, the plan was reviewed and re-prioritised in Q3 to ensure that all key and priority audits could be completed in-year. This resulted in the deferral of non-priority audits, as reported to the Audit and Standards Advisory Committee in January 2022. These audits were subsequently considered as part of the 2022-23 planning process, where appropriate.

## Summary outcomes

A summary of the performance against the 2021-22 Internal Audit Plan is shown in the table below. A detailed summary of the status of each audit included within the plan can be seen at **Appendix A**.

Summary of Internal Audit Activity (as at 30 April 2022)	Number
Audits carried forward from 2020-21 (final report issued)	13
Audits per the 2021-22 Plan	37
- Audits completed (final report issued)	8
- Audits draft report issued	5
- Audits at fieldwork complete stage	3
- Audits in progress	2
- Audits carried forward to 2022-23	8
- Audits deferred	11
Additional reviews completed (and report/memo issued)	4
Additional reviews in progress	2
School audit reviews completed	8
Follow-up reviews completed	15

The following seven audits either remain in progress, or fieldwork has been completed and the draft reports are being prepared:

- ASC Budget Monitoring
- Fostering
- Purchasing Cards
- Contract Management and
- Debt Management
- Building Control Finance (management request additional review)
- Voids Management (management request additional review).

It is anticipated that these will be finalised by end Q1 2022-23.

Five audits are at draft report stage and are awaiting finalisation of management responses:

- I4B/FWH Health and Safety Compliance
- Flexible Working

- Council Companies and Governance
- Equality Strategy
- Key Financial Controls

Eight audits have been carried forward and will now be completed as part of the 2022-23 plan:

- Demand for Services
- Fire Safety
- Grant Management
- Local Services Project
- Brent Commissioned Arrangements
- Property Valuations
- System Financial Processes
- Climate Change and Sustainability.

### Risk ratings

For each review undertaken, where gaps or weaknesses in the design and operation of controls are highlighted, or where areas for the further improvement/enhancement of controls are identified, recommendations are raised and agreed with management.

Findings and issues raised by Internal Audit (and therefore the resulting recommendations) are graded in terms of the associated level of risk. An indication of the level of assurance and confidence provided from an audit review is therefore gained by examining the number and level of issues identified.

The following definitions are used to inform these ratings:

<b>Critical</b>	A finding that could have a: critical impact on operational performance; critical monetary or financial statement impact; critical breach in laws and regulations that could result in material fines or consequences; and/or a critical impact on the reputation or brand of the organisation which could threaten its future viability.
<b>High</b>	A finding that could have a: significant impact on operational performance; significant monetary or financial statement impact; significant breach in laws and regulations resulting in significant fines and consequences; and/or a significant impact on the reputation or brand of the organisation.
<b>Medium</b>	A finding that could have a: moderate impact on operational performance; moderate monetary or financial statement impact; moderate breach in laws and regulations resulting in fines and consequences; and/or a moderate impact on the reputation or brand of the organisation.
<b>Low</b>	A finding that could have a: minor impact on the organisation's operational performance; Minor monetary or financial statement impact; minor breach in laws and regulations with limited consequences; and/or a minor impact on the reputation of the organisation.

The below table summarises the number of issues raised in-year in respect of the delivery of the 2021-22 plan:

	Number	%
<b>Total number of issues raised in 2021-22:</b>	<b>72</b>	
<b>Critical risk</b>	<b>0</b>	<i>0%</i>
<b>High risk</b>	<b>10</b>	<i>14%</i>
<b>Medium risk</b>	<b>49</b>	<i>68%</i>
<b>Low risk</b>	<b>13</b>	<i>18%</i>

A detailed summary of the number and level of risk issues raised against each audit included within the 2021-22 plan can be seen at **Appendix A**.

Quarterly progress and update reports are presented to the Audit and Standards Advisory Committee in-year, summarising completion against the agreed plan. As part of these updates, the Committee receives a summary of completed audits, which includes details of any Critical, High or Medium risk issues identified. For audits completed in Q4 2021-22, a summary of the issues can be seen at **Appendix B**.

### Additional Reviews

Internal Audit continued to carry out consultancy and advice work during the year, where required and/or requested. During the year, a total of six additional pieces of work have been undertaken, including:

- Housing voids management;
- Commercial supplier registration;
- Duplicate payments;
- Building control finance; and
- Water bill liability refunds

Internal Audit have continued to complete the periodic reviews of payment claims for the Supporting Families Programme and carried out grant determinations.

### School Reviews

A programme of school audits is undertaken to provide assurance over the key governance arrangements and financial management controls in place within individual schools. 10 school audit reviews were scheduled to be carried-out as part of the 2021-22 plan, in addition to a follow-up review relating to an audit completed in 2020-21.

As at 30 April 2022:

- Eight reviews have been completed;
- One follow-up review completed;
- Two reviews have been carried forward to 2022-23.

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. However, during 2021-22 we have been able to resume visiting schools to undertake their review, which has led to a more efficient and productive audit process.

#### 4. Follow-up Activity

Internal Audit recommendations emanating from all planned audit work is subject to follow-up to ensure that agreed actions have been implemented.

During 2021-22, 15 follow-up reviews were completed, which sought to evidence that 164 actions had been implemented as agreed. The results of which is summarised in the below table:

Action Status	High	Medium	Low
<b>Total Actions</b>	<b>33</b>	<b>112</b>	<b>19</b>
<b>Implemented</b>	19	66	15
<b>Partially Implemented</b>	9	32	1
<b>Not Implemented</b>	5	14	2
<b>No longer relevant or superseded</b>	0	0	1

Details of follow-up activity relating to 2021-22 can be seen at **Appendix C**. It should be noted that follow-up outcomes are reported as at the time of concluding the follow-up review. As a result, and owing to the time that may have elapsed since, the rate of implementation may have since changed. Internal Audit continue to review implementation of recommendations with Management, and in line with usual practice, will report any instances of persistent non-implementation of recommendations to the Committee.

Where actions were found to remain partially or not implemented, Internal Audit agree revised implementation dates with management and undertake further reviews to confirm implementation, where appropriate. Details of all outstanding recommendations are also reported periodically to departmental management teams.

#### 5. Head of Internal Audit Opinion

The Public Sector Internal Audit Standards (PSIAS) requires the Head of Internal Audit (HIA) to provide an annual opinion that can be used by the organisation to inform its annual governance statement.

The PSIAS, and CIPFA's guidance on *the 'Role of the Head of Internal Audit in Public Service Organisations'* require that the HIA's overall opinion is objective and supported by sufficient, reliable, relevant and useful information and evidence. The HIA opinion should also take into account the strategies,

objectives and risks of the Council; expectations of senior management and stakeholders; and both internal audit work and other sources of assurance.

The HIA opinion for 2021-22 is:

### Reasonable Assurance

The adequacy and effectiveness of the overall arrangements for the Council's systems of internal control, risk management and governance are adequate, with some improvement required.

In summary, it is the HIA's opinion that an overall rating of *Reasonable Assurance* is appropriate for 2021-22. Although some high-risk rated recommendations have been raised in individual audit reviews, these were broadly isolated to specific systems or processes. Furthermore, no critical risk issues were raised in-year. This opinion is consistent with the opinion provided in previous years.

### Basis of opinion

The HIA opinion is supported by the delivery of the 2021-22 audit plan, which identified no critical concerns in respect of the Council's internal control, risk management or governance arrangements. Where weaknesses were identified during individual audits, these were not considered to be significant, in aggregate, to the Councils overall governance arrangements and system of internal control.

A comprehensive approach was followed in the drafting and delivery of the 2021-22 audit plan to ensure that this focussed on the high risk areas and provided assurance over the key aspects of the Council's internal control framework. To this end, the 2021-22 plan has provided key stakeholders (including the Audit and Standards Advisory Committee and the Council's Management Team) with assurance across a number of key areas, as shown in **Appendix A**.

In addition, a number of audits have also been delivered across the Council that have provided direct assurance against departmental and service level risks. Summary highlights include:

- **Key Financial Controls** – a review was undertaken to confirm the effectiveness of the design and operation of key financial controls following the implementation of Oracle Cloud.
- **Oracle Cloud Post Implementation** – a review was completed to provide assurance over the ongoing governance arrangements in place following the implementation of Oracle Cloud.
- **Cyber Security** – further assurance has been provided in this area of high risk, through the completion of a review focussing on cyber risks associated with remote working.
- **Council companies and governance** – a review has been completed surrounding the Council's governance of its subsidiaries, including First Wave Housing and i4B.

In addition to the outcomes of the 2021-22 plan, in reaching the HIA opinion, the following governance arrangements were also considered:

- The Council's risk awareness and risk culture has further developed in 2021-22. Overall, there is a good awareness of the Council's risk management framework and strategic risks, and the strategic risk register was refreshed in-year;
- There is a willingness on the part of management to proactively seek Internal Audit advice in relation to risk and control design, outside the delivery of the audit plan; and
- The level and rate of implementation of actions and recommendations arising from audit reviews continues to be positive.

### Key themes

In determining the annual opinion, the HIA has also considered any key themes emanating from the audit work delivered in 2021-22. Whilst significant themes or issues were identified that could undermine the effectiveness of the Council's system of internal control, the following observations were noted:

- Where gaps in control were identified, these were often in relation to the 'second line' of defence (i.e. the monitoring and reporting of information and data, by management, in respect of the effectiveness of the 'first line' of defence).
- In a number of instances, we noted that policies and procedures were often absent or outdated, and as such, roles and responsibilities were not always clearly defined and outlined.

Internal Audit will continue to monitor these issues and, where relevant, will provide support and guidance to help aid improvements.

## 6. Quality Assurance and Improvement Programme

One of the core principles of the PSIAS is quality assurance and continuous improvement. To this end, the PSIAS require the HIA to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of internal audit activity.

Internal Audit has developed a QAIP that is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- performs its work in accordance with the PSIAS (including the Definition of Internal Auditing and Code of Ethics) and the CIPFA Statement on the role of the Head of Internal Audit;
- operates in an effective and efficient manner;
- is perceived by stakeholders as adding value and continually improving its operations; and
- undertakes both periodic and on-going internal assessments, and commissions an external assessment at least once every five years.

### Internal Assessments

In accordance with the PSIAS, internal quality and performance assessments are undertaken through both on-going and periodic reviews. On-going

assessments are conducted as a matter of course, in-line with the service's protocols and audit methodology. These assessments include: management supervision of audit activity, the application of a consistent audit methodology across audits, regular 1:2:1s between audit management and auditors to review and monitor performance, and the review and approval of all outputs by the Audit Manager and HIA.

Regular periodic assessments are also undertaken during the year to monitor and measure the impact of, and value added by the delivery of the annual audit plan. A key aspect of these assessments comprises of the quarterly progress reports presented to the Audit and Standards Advisory Committee, which summarise progress against the annual plan and key outcomes of audit activity. Furthermore, an annual assessment is undertaken in drafting the annual audit plan, which is aligned to the Council's Strategic Risk Register to ensure that the work of internal audit centres around the key risks that threaten the achievement of corporate objectives.

Other periodic assessments include (but are not limited to):

- annual self-assessments to ensure conformance with the PSIAS;
- regular feedback from senior management and Council Management Team
- benchmarking with other London Borough internal audit services, via the Cross Council Assurance Service and London Audit Group.

## Key Performance Indicators

To complement and inform the ongoing and periodic assessments detailed above, Key Performance Indicators (KPIs) have been defined to measure the performance of the internal audit service. Achievement scores against each of these KPIs for 2021-22 are set out in the table below:

KPI	Achievement
<b>KPI1 - 90%</b> of the Annual Internal Audit Plan completed by 31 March (conclusion of fieldwork)	<b>79%</b> of Plan completed by 31 March.
<b>KPI2 - 100%</b> of the Annual Internal Audit Plan completed by 30 April (conclusion of fieldwork)	<b>91%</b> of Plan completed by 30 April.
<b>KPI3 - 100%</b> acceptance of all Critical and High risk recommendations	<b>100%</b> acceptance of all High risk recommendations (no Critical recommendations).
<b>KPI4 –</b> Follow-up of all Critical and High risk recommendations within (at least) 12 months of the final report being issued.	<b>15</b> follow ups completed and seven in progress. <b>100%</b> of recommendations followed up within 12 months of final report.

<b>KPI5 - 90%</b> of client satisfaction surveys rated the service as good or better.	Five forms returned. 90% very satisfied and 10% satisfied.
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## Appendix A – Status and delivery of 2021-22 Plan

Audit (as per 2021-22 Plan)	Status (as at 30 April 2022)	Summary of issues			Narrative
		High Risk	Medium Risk	Low Risk	
<b>Capital Letters</b>	<i>Final report issued</i>	-	1	-	Outcomes reported to Committee in Q2 21-22
<b>Council Tax</b>	<i>Final report issued</i>	1	3	-	Outcomes reported to Committee in Q2 21-22
<b>IT Asset Management</b>	<i>Final report issued</i>	1	3	1	Outcomes reported to Committee in Q2 21-22
<b>Additional Restrictions Grant</b>	<i>Advisory memo issued</i>	-	-	-	Outcomes reported to Committee in Q2 21-22
<b>IT Project Delivery</b>	<i>Final report issued</i>	1	2	1	Outcomes reported to Committee in Q2 21-22
<b>Introductory Tenancies</b>	<i>Final report issued</i>	1	2	-	Outcomes reported to Committee in Q2 21-22
<b>Housing Succession</b>	<i>Final report issued</i>	1	3	-	Outcomes reported to Committee in Q2 21-22
<b>Accounts Payable</b>	<i>Final report issued</i>	1	5	-	Outcomes reported to Committee in Q2 21-22
<b>Temporary Workers</b>	<i>Final report issued</i>	1	2	1	Outcomes reported to Committee in Q2 21-22
<b>Planning</b>	<i>Final report issued</i>	-	2	-	Outcomes reported to Committee in Q2 21-22
<b>Treasury Management</b>	<i>Final report issued</i>	-	1	2	Outcomes reported to Committee in Q2 21-22

Audit (as per 2021-22 Plan)	Status (as at 30 April 2022)	Summary of issues			Narrative
		High Risk	Medium Risk	Low Risk	
<b>Commercial Supplier Set-up</b>	<i>Advisory memo issued</i>	-	-	-	Outcomes reported to Committee in Q2 21-22
<b>Barham Park Accounts</b>	<i>Advisory memo issued</i>	-	-	-	Outcomes reported to Committee in Q2 21-22
<b>Duplicate Payments</b>	<i>Advisory memo issued</i>	-	-	-	Ad-hoc advice and guidance provided.
<b>Homecare</b>	<i>Final report issued</i>	1	2	-	Outcomes reported to Committee in Q3 21-22
<b>Housing Client Function</b>	<i>Final report issued</i>	-	4	-	Outcomes reported to Committee in Q3 21-22
<b>Gifts and Hospitality</b>	<i>Final report issued</i>	-	3	-	Outcomes reported to Committee in Q3 21-22
<b>Water Bill Liability Refunds</b>	<i>Advisory memo issued</i>	-	-	-	Ad-hoc advice and guidance provided.
<b>Financial Support for Schools</b>	<i>Final report issued</i>	-	3	1	See summary details at <b>Appendix B</b>
<b>Workforce and Succession Planning</b>	<i>Final report issued</i>	-	2	-	See summary details at <b>Appendix B</b>
<b>Leaseholder Repairs</b>	<i>Final report issued</i>	-	5	-	See summary details at <b>Appendix B</b>

Audit (as per 2021-22 Plan)	Status (as at 30 April 2022)	Summary of issues			Narrative
		High Risk	Medium Risk	Low Risk	
<b>Oracle Cloud Programme Post Implementation Review</b>	<i>Final report issued</i>	-	2	2	See summary details at <b>Appendix B</b>
<b>Early Years</b>	<i>Final report issued</i>	-	1	3	See summary details at <b>Appendix B</b>
<b>Cyber Remote Working</b>	<i>Final report issued</i>	2	3	2	See summary details at <b>Appendix B</b>
<b>Barham Library Complaint</b>	<i>Advisory memo issued</i>	-	-	-	Ad-hoc advice and guidance provided
<b>FWH/I4b Health and Safety Compliance</b>	<i>Draft report issued</i>	-	-	-	Outcomes to be reported to Committee in Q2 22-23.
<b>Early Years</b>	<i>Draft report issued</i>	-	-	-	Outcomes to be reported to Committee in Q2 22-23.
<b>Flexible Working</b>	<i>Draft report issued</i>	-	-	-	Outcomes to be reported to Committee in Q2 22-23.
<b>Council Companies and Governance Review</b>	<i>Draft report issued</i>	-	-	-	Outcomes to be reported to Committee in Q2 22-23.
<b>Equality Strategy</b>	<i>Draft report issued</i>	-	-	-	Outcomes to be reported to Committee in Q2 22-23.
<b>Key Financial Controls</b>	<i>Draft report issued</i>	-	-	-	Outcomes to be reported to Committee in Q2 22-23.

Audit (as per 2021-22 Plan)	Status (as at 30 April 2022)	Summary of issues			Narrative
		High Risk	Medium Risk	Low Risk	
<b>ASC Budget Monitoring</b>	<i>Fieldwork completed</i>	-	-	-	Draft report is being prepared. Outcomes to be reported to Committee in Q2 22-23.
<b>Fostering</b>	<i>Fieldwork completed</i>	-	-	-	Draft report is being prepared. Outcomes to be reported to Committee in Q2 22-23.
<b>Purchasing Cards</b>	<i>Fieldwork completed</i>	-	-	-	Draft report is being prepared. Outcomes to be reported to Committee in Q2 22-23.
<b>Voids Management</b>	<i>Fieldwork in progress</i>	-	-	-	Draft report is being prepared. Outcomes to be reported to Committee in Q2 22-23.
<b>Building Control Finance</b>	<i>Fieldwork in progress</i>	-	-	-	Draft report is being prepared. Outcomes to be reported to Committee in Q2 22-23.
<b>Contract Management</b>	<i>Fieldwork in progress</i>	-	-	-	Draft report is being prepared. Outcomes to be reported to Committee in Q2 22-23.
<b>Debt Management</b>	<i>Fieldwork in progress</i>	-	-	-	Draft report is being prepared. Outcomes to be reported to Committee in Q2 22-23.
<b>Demand For Services</b>	<i>Carried forward to 22/23</i>	-	-	-	Draft report is being prepared. Outcomes to be reported to Committee in Q2 22-23.
<b>Fire Safety</b>	<i>Carried forward to 22/23</i>	-	-	-	Review will now be undertaken as part of the 2022-23 plan. Outcomes to be reported to Committee on completion of the review.

Audit (as per 2021-22 Plan)	Status (as at 30 April 2022)	Summary of issues			Narrative
		High Risk	Medium Risk	Low Risk	
<b>Grant Management</b>	<i>Carried forward to 22/23</i>	-	-	-	Review will now be undertaken as part of the 2022-23 plan. Outcomes to be reported to Committee on completion of the review.
<b>Local Services Project (Public Realm Contract)</b>	<i>Carried forward to 22/23</i>	-	-	-	Review will now be undertaken as part of the 2022-23 plan. Outcomes to be reported to Committee on completion of the review.
<b>Brent Commissioned Arrangements</b>	<i>Carried forward to 22/23</i>	-	-	-	Review will now be undertaken as part of the 2022-23 plan. Outcomes to be reported to Committee on completion of the review.
<b>Property Valuations</b>	<i>Carried forward to 22/23</i>	-	-	-	Review will now be undertaken as part of the 2022-23 plan. Outcomes to be reported to Committee on completion of the review.
<b>System Financial Processes</b>	<i>Carried forward to 22/23</i>	-	-	-	Review will now be undertaken as part of the 2022-23 plan. Outcomes to be reported to Committee on completion of the review.
<b>Climate Change/ Sustainability</b>	<i>Carried forward to 22/23</i>	-	-	-	Review will now be undertaken as part of the 2022-23 plan. Outcomes to be reported to Committee on completion of the review.
<b>Highways Investment Plan</b>	<i>Deferred</i>	-	-	-	Review deferred, as reported to the Committee in Q3 21-22
<b>NAIL Project</b>	<i>Deferred</i>	-	-	-	Review deferred, as reported to the Committee in Q3 21-22

Audit (as per 2021-22 Plan)	Status (as at 30 April 2022)	Summary of issues			Narrative
		High Risk	Medium Risk	Low Risk	
<b>Housing CRM</b>	<i>Deferred</i>	-	-	-	Review deferred, as reported to the Committee in Q3 21-22
<b>Buildings Compliance Oversight</b>	<i>Deferred</i>	-	-	-	Review deferred, as reported to the Committee in Q3 21-22
<b>Parking Debt Recovery</b>	<i>Deferred</i>	-	-	-	Review deferred, as reported to the Committee in Q3 21-22
<b>Budget Management and Planned Savings</b>	<i>Deferred</i>	-	-	-	Review deferred, as reported to the Committee in Q3 21-22
<b>Members Enquiries</b>	<i>Deferred</i>	-	-	-	Review deferred, as reported to the Committee in Q3 21-22
<b>Rent Setting</b>	<i>Deferred</i>	-	-	-	Review deferred, as reported to the Committee in Q3 21-22
<b>Leavers Processes</b>	<i>Deferred</i>	-	-	-	Review deferred, as reported to the Committee in Q3 21-22

## Appendix B – Summary of audits completed in Q4 2021-22

Audit Title	Summary of Key Findings
<p><b>Leaseholder Repairs</b></p> <p><i>Indicative Scope:</i> a risk based review to provide assurance on the effectiveness of arrangements in place around Housing Management Landlord responsibilities for all of the Council's Leaseholders.</p> <p>The review focused on assessing the effectiveness of controls across a number of key areas, including: governance, variations and approvals, contract management and payments.</p>	<p>Five <b>Medium Risk</b> issues were raised:</p> <p><b>1)</b> Inconsistencies were noted between the key performance indicators (KPIs) included in service contracts and those which are currently monitored/reported on by management. It was also found that evidence was not always obtained from contractors to confirm the accuracy of the KPIs.</p> <p><i>Management Response:</i></p> <p><i>Not only are appropriate KPIs in place, relevant officers are aware of what they are and monitor the performance of contractors, based on them. However, it is accepted for the purposes of audit trails, that records of discussions and actions agreed, could be better. The service will commit to this improvement as an action.</i></p> <p><b>2)</b> For a long-term contracted service provider for major works (including Section 20 repairs), there was a lack of evidence to confirm that a current signed and dated contract is in place.</p> <p><i>Management Response:</i></p> <p><i>All the contracts referred to remain the substantive contracts to deliver these services. The service is seeking to procure a framework of small and large contractors that will not only serve as a supply chain to the main contractor, but will be there for the Council to default to, should the main contractor be unable to carry out their obligations under the contract.</i></p> <p><b>3)</b> Internal Audit sought to confirm the monitoring and quality assurance checks undertaken in respect of major works projects. We noted inconsistencies in the evidence documented and retained to support monitoring activities.</p> <p><i>Management Response:</i></p> <p><i>It is accepted that it is good practice to write down how contracts/ programmes are managed in one place and Brent Housing Management has committed to reviewing all procedures for the monitoring of Major Works are part of the STAR action plan with an aim to increase leaseholder satisfaction. The Council directly employs its own Quantity Surveyors, who directly check the quality of works delivered by contractors. What is not firmly in place yet is, exactly what</i></p>

Audit Title	Summary of Key Findings
	<p><i>percentage of works with the directly employed Qs inspect and certify and for that to be done consistently across all projects and programmes. The service is committed to putting this in place.</i></p> <p><b>4)</b> Income and debt management and reporting processes are in place; however there were areas where these could be further enhanced, including: timeliness in raising invoices; comparing income invoiced and received versus the costs of each project; and aged debtor reports.</p> <p><i>Management Response:</i></p> <p><i>The service accepts that a better system needs to be in place to ensure that invoices for works are raised to Leaseholders within statutory time limits. Although officers are aware of these time limits, the current process is not robust enough to ensure it is always maintained.</i></p> <p><b>5)</b> The current policies and procedures to support staff in managing major works projects including Section 20 repairs require updating as they were last reviewed in 2018.</p> <p><i>Management Response:</i></p> <p><i>The service is already committed to reviewing all policies and procedures for Section 20s in the STAR survey action plan, all of which are in progress.</i></p>
<p><b>Financial Support For Schools</b></p> <p><i>Indicative Scope:</i> a risk based review to provide assurance on the effectiveness of financial management of Brent's schools.</p> <p>The review focused on assessing the effectiveness of controls across a number of key areas, including scheme of financing, monitoring, schools in deficit, COVID-19 grants and governance.</p>	<p>Three <b>medium risk</b> issues were raised.</p> <p><b>1)</b> A lack of internal policies are in place stipulating the roles and responsibilities of relevant officers within the School Finance Team.</p> <p><i>Management Response:</i></p> <p><i>The Scheme for Financing schools sets out the roles, responsibilities and the relationship with Brent schools and the LA. Agreed to detail key processes undertaken within the SFT with procedural notes or guidance. An internal document will be saved to capture in one place the roles and responsibilities of the team and the processes within the small team of one Senior Finance Analyst and one Finance Analyst.</i></p> <p><b>2)</b> Actions set out within school recovery plans are not followed-up to ensure implementation.</p> <p><i>Management Response:</i></p>

Audit Title	Summary of Key Findings
	<p><i>A new recovery plan template which sets out milestones for delivery of actions has been developed by the School Financial Advisor. Going forward, this will be attached to approve licenced deficit agreements in order to track progress.</i></p> <p><b>3)</b> The movement of risk scores for individual indicators are not closely monitored and financial monitoring is not always sufficient to fully analyse and understand the risks faced by school finances.</p> <p><i>Management Response:</i></p> <p><i>Individual and collective risk scores are already being monitored although comparison of individual risk ratings to previous years are not being monitored. Agreed to include the year on year comparison and where Internal Audit identifies issues in schools in respect of financial management, these will be fed into the SFT risk assessments.</i></p>
<p><b>Workforce/Succession Planning</b></p> <p><i>Indicative Scope:</i> a risk based review to provide assurance on the effectiveness of strategic workforce planning controls in place across the Council including identification and retention of talent and future leaders, resource, and succession planning.</p> <p>The review focused on assessing the effectiveness of controls across a number of key areas, including workforce planning and succession and continuity planning.</p>	<p>Two <b>medium risk</b> issues were raised:</p> <p><b>1)</b> The Council's workforce strategy has not been updated to reflect the current period, and requirements have not been translated into Directorate workforce planning. There is also limited formal oversight of progress against strategic workforce objectives.</p> <p><i>Management Response:</i></p> <p><i>Human Resources Business Partners will work with each directorate to understand how the workforce strategy translates into a work plan specific to the directorate. Progress against objectives within the workforce strategy will be periodically reported on to key governance meetings, so that management can take appropriate action should objectives be at risk.</i></p> <p><b>2)</b> Succession planning guidance has not been developed and formal succession planning is not in place. Council leadership was last given training on conducting succession planning in 2019, therefore those who have joined the Council since do not have guidance on how to approach succession planning.</p> <p><i>Management Response:</i></p>

Audit Title	Summary of Key Findings
	<p><i>A 9-box grid will be used to support succession planning within Directorates. Assessment criteria will need to be clear and transparent. Focus will be given to critical roles for each Directorate and to identifying aspiring leaders. HR will agree scope collaboratively with senior leadership.</i></p>
<p><b>Oracle Cloud Programme Post-Implementation</b></p> <p><i>Indicative Scope:</i> a risk based review to provide assurance on the effectiveness of the key processes, activities and controls following the implementation of the Oracle Cloud at the Council.</p> <p>The review focused on assessing the effectiveness of controls across a number of key areas, including IT service management, knowledge transfer, access and license management and upcoming key patches and releases.</p>	<p>Two <b>medium risk</b> issues were raised:</p> <ol style="list-style-type: none"> <li>1) Whilst the Council actively reviews the privileges of active users, there is currently no review and removal of inactive Oracle Cloud users.</li> </ol> <p><i>Management Response:</i></p> <p><i>We shall perform the monthly reviews and assessments and ensure arrangements for closure of accounts and de activation are planned based on sign off from Managers.</i></p> <ol style="list-style-type: none"> <li>2) The Council's change management process does not include a mechanism to capture lessons learned as part of change requests processed for Oracle Cloud.</li> </ol> <p><i>Management Response:</i></p> <p><i>We will formally arrange on a quarterly basis a lessons learned exercise covering the scope of CSIP and also project activities. The review shall be included in the formal Brent gateway review process that shall be planned for end of June 2022.</i></p>
<p><b>Early Years</b></p> <p><i>Indicative Scope:</i> a risk based review to provide assurance on the effectiveness of The Early Years Programme.</p> <p>The review focused on assessing the effectiveness of controls across a number of key areas, including eligibility, providers, payments, headcount and absences, NEG funding process review and budget monitoring.</p>	<p>One <b>medium risk</b> issue was raised:</p> <p>Management do not retain evidence of reports run on Synergy used to check headcount submission from each provider.</p> <p><i>Management Response:</i></p> <p><i>Officers in CYP performance cross check the synergy reports against the payment schedule. Going forward this will be saved on SharePoint and all reports will be saved on the shared drive for reference.</i></p>

Audit Title	Summary of Key Findings
<p><b>Cyber Remote Working</b></p> <p><i>Indicative Scope:</i> a risk based review to provide assurance on the design of key cyber security controls at the Council related to remote working.</p> <p>The review focused on assessing the effectiveness of controls across a number of key areas, including remote working and vulnerability management.</p>	<p>Two <b>high risk</b> and three <b>medium risk</b> issues were raised.</p> <p><b>High risk issues:</b></p> <ol style="list-style-type: none"> <li><b>1) Vulnerability scanning:</b> areas where further enhancements could be made to the Council's vulnerability scanning controls (for laptops and desktop PCs) were identified.</li> </ol> <p><i>Management Response:</i></p> <p><i>Action agreed and a solution has been procured to address this. Other mitigating actions and controls are also in place that address this risk</i></p> <ol style="list-style-type: none"> <li><b>2) Security monitoring:</b> areas were identified where controls could be further enhanced to prevent remote assets from being compromised and/or erroneous remote connections being made to the network without detection.</li> </ol> <p><i>Management Response:</i></p> <p><i>Action agreed and a solution has been procured to address this. Other mitigating actions and controls are also in place that address this risk</i></p> <p><b>Medium risk issues:</b></p> <ol style="list-style-type: none"> <li><b>1) Data loss prevention:</b> areas identified to further enhance the Council's capability to identify, assess and respond to sensitive data being sent out of the estate from one of its IT assets.</li> </ol> <p><i>Management Response:</i></p> <p><i>Action agreed and a solution has been procured to address this. Other mitigating actions and controls are also in place that address this risk</i></p> <ol style="list-style-type: none"> <li><b>2) Authoritative inventories:</b> A complete list of IT hardware and software is not maintained. Without such inventories, it may be difficult to ensure all assets are protected in a remote working environment.</li> </ol> <p><i>Management Response:</i></p> <p><i>Action agreed. We will seek to secure funding to implement Hardware Asset Management.</i></p>

Audit Title	Summary of Key Findings
	<p><b>3) Patch and antivirus compliance:</b> On review of relevant patch and anti-virus compliance reports, a number of devices were found to not be in line with best practice compliance levels.</p> <p><i>Management Response:</i></p> <p><i>Laptop patching is direct from Microsoft; however, we are monitoring the laptop estate to review adherence to the updating, and we're also in the process of ensuring there's no technical barrier for this to occur. We are updating laptops that are on out of support versions and resolving issues where devices are unable to update. This is ongoing.</i></p>

## Appendix C – Summary of Follow-up Activity

\* Follow-up outcomes reported in the table below are as at the time of concluding our follow-up review. As a result, and owing to the time that may have elapsed since, the status of implementation may have since changed. Internal Audit continue to review implementation of recommendations with Management, and in line with usual practice, will report any instances of persistent non-implementation of recommendations to the Committee.

\*\* The numbers in brackets are high risk actions that are partially or not implemented. All outstanding recommendations will continue to be monitored and reported via Departmental Management Teams.

Follow-up	Status	Follow-up Outcomes				Update
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
IT Platform Review	Completed	3	7 (3)	4 (4)	0	<p><i>Follow-up completed May 2021.</i></p> <p>The follow-up revealed that 7 high risk actions, 3 medium risk actions and 1 low risk action had not been implemented within timescales originally agreed.</p> <p>Management have since confirmed that good progress has been made towards implementing the outstanding actions. The 7 high risk and 3 medium risk actions have been partially implemented. These relate to the roll out of a system for monitoring audit logs. A system has been tested and will now be implemented in Q2 2022. One low risk action has also been implemented. Internal Audit are continuing to liaise with Management regarding the implementation of these outstanding actions.</p>

Follow-up	Status	Follow-up Outcomes				Update
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
<b>Health and Safety</b>	<i>Completed</i>	13	3 (3)	0	0	<p><i>Follow-up completed June 2021</i></p> <p>The follow-up revealed that 3 high risk actions had not been implemented within timescales originally agreed.</p> <p>Internal Audit are continuing to liaise with Management regarding the implementation of these outstanding actions.</p>
<b>Robotic Process Automation</b>	<i>Completed</i>	8	3	0	0	<p><i>Follow-up completed August 2021</i></p> <p>The follow-up revealed that 3 medium risk actions had not been implemented within timescales originally agreed.</p> <p><i>Management have advised that the 3 outstanding actions relate to the development of a business continuity and disaster recovery strategy. Work has been carried out on this, but it is now being taken forward as part of Brent's overall IT disaster recovery plan which is due for completion in early July 2022.</i></p>
<b>Voluntary Sector Funding</b>	<i>Completed</i>	18	7	0	0	<p><i>Follow-up completed January 2022</i></p> <p>The follow-up revealed that 7 medium risk actions had not been</p>

Follow-up	Status	Follow-up Outcomes				Update
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
						<p>implemented within timescales originally agreed.</p> <p>Internal Audit are continuing to liaise with Management regarding the implementation of these outstanding actions.</p>
<b>GDPR</b>	<i>Completed</i>	8	4	0	0	<p><i>Follow-up completed November 2021</i></p> <p>The follow-up revealed that 4 medium risk actions had not been implemented within timescales originally agreed.</p> <p><i>Management have since advised that 3 medium risk actions have been implemented. One medium risk action remains as partially implemented, which relates to completion of the population of data fields in the One Trust system.</i></p>
<b>Placements for Children with Disabilities</b>	<i>Completed</i>	4	0	0	1	<p><i>Follow-up completed February 2022</i></p> <p>Closed</p>
<b>Legionella</b>	<i>Completed</i>	3	2	0	0	<p><i>Follow-up completed July 2021</i></p> <p>The follow-up revealed that 2 medium risk actions had not been</p>


Follow-up	Status	Follow-up Outcomes				Update
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
						<p>implemented within timescales originally agreed.</p> <p>Internal Audit are continuing to liaise with Management regarding the implementation of these outstanding actions.</p>
<b>IT Disaster Recovery</b>	<i>Completed</i>	11	6 (2)	5	0	<p><i>Follow-up completed January 2022</i></p> <p>The follow-up revealed that 2 high risk actions and 9 medium actions had not been implemented within timescales originally agreed.</p> <p><i>Management have since confirmed that 2 high risk actions, and 5 medium risk actions have been implemented. This leaves four medium risks partially implemented. Outstanding actions relate to the refreshing of the disaster recovery plan which has been agreed will take place annually.</i></p>
<b>Housing Benefits Verification and Appeals</b>	<i>Completed</i>	3	1	0	0	<p><i>Follow-up completed September 2021</i></p> <p>1 low risk action remains partially implemented. Management have advised this will be implemented in early 22-23.</p>

Follow-up	Status	Follow-up Outcomes				Update
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
<b>Introductory Tenancies</b>	<i>Completed</i>	8	1 (1)	3 (1)	0	<p><i>Follow-up completed February 2022</i></p> <p>The follow-up revealed that 2 high risk actions and 2 medium actions had not been implemented within timescales originally agreed.</p> <p>Internal Audit are continuing to liaise with Management regarding the implementation of these outstanding actions.</p>
<b>Lone Workers</b>	<i>Completed</i>	3	2	0	0	<p><i>Follow-up completed December 2021</i></p> <p>The follow-up revealed that 2 medium risk actions had not been implemented within timescales originally agreed.</p> <p>Internal Audit are continuing to liaise with Management regarding the implementation of these outstanding actions.</p>
<b>IT Project Delivery</b>	<i>Completed</i>	6	0	0	0	<p><i>Follow-up completed March 2022</i></p> <p>Closed</p>
<b>Treasury Management</b>	<i>Completed</i>	4	1	0	0	<p><i>Follow-up completed October 2021</i></p>

Follow-up	Status	Follow-up Outcomes				Update
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
						<p>The follow-up revealed that 1 medium risk action had not been implemented within timescales originally agreed.</p> <p>Internal Audit are continuing to liaise with Management regarding the implementation of the one remaining action.</p>
<b>Housing Succession</b>	<i>Completed</i>	7	1	3	0	<p><i>Follow-up completed April 2022</i></p> <p>The follow-up revealed that 4 medium risk actions had not been implemented within timescales originally agreed.</p> <p><i>Management have since confirmed that 3 medium risk actions (identified in the table as not implemented) are there because they were not completed in the required timescales, but management have now confirmed that they been implemented.</i></p>
<b>Housing Client Function</b>	<i>Completed</i>	4	5	2	0	<p><i>Follow-up completed April 2022</i></p> <p>The follow-up revealed that 7 medium risk actions had not been implemented within timescales originally agreed.</p>

Follow-up	Status	Follow-up Outcomes				Update
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
						<i>Management have since confirmed that 4 medium risk actions have since been implemented. 3 medium risk issues remain partially implemented and Internal Audit are continuing to liaise with Management regarding the implementation of these outstanding actions.</i>
<b>Planning</b>	<i>In Progress</i>	-	-	-	-	Outcomes to be reported to the Committee on completion of the follow-up.
<b>Homecare</b>	<i>In Progress</i>	-	-	-	-	Outcomes to be reported to the Committee on completion of the follow-up.
<b>Council Tax</b>	<i>In Progress</i>	-	-	-	-	Outcomes to be reported to the Committee on completion of the follow-up.
<b>i4B SLA</b>	<i>In Progress</i>	-	-	-	-	Outcomes to be reported to the Committee on completion of the follow-up.
<b>FWH SLA</b>	<i>In Progress</i>	-	-	-	-	Outcomes to be reported to the Committee on completion of the follow-up.

Follow-up	Status	Follow-up Outcomes				Update
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
<b>GLA Affordable Housing Prog.</b>	<i>In Progress</i>	-	-	-	-	Outcomes to be reported to the Committee on completion of the follow-up.
<b>Residential and Nursing Care</b>	<i>In Progress</i>	-	-	-	-	Outcomes to be reported to the Committee on completion of the follow-up.

 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 7 <sup>th</sup> June 2022
	<b>Report from the Director of Legal, HR and Audit &amp; Investigations</b>
<b>Annual Counter Fraud Report – 2021-22</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not Applicable
<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 undertaken in 2021-22, and also the refresh of the related policies covering Anti-Fraud & Bribery, Anti-Money Laundering and Whistleblowing.

## 2. Recommendation

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

## 3. 2021/22 Counter Fraud Year End Report

### 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.

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	21	20	18	21	12	5
New Referrals	24	2	7	9	6	38	35
Closed Cases	27	5	6	7	9	29	28
Open Cases c/f	18	18	21	20	18	21	12
Fraud / Irregularity identified*	6	0	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 24 new referrals opened during 2021-22 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. Due to the confidential nature of the type of referrals, it is not appropriate to provide details in this report. A summary of the main case types received is as follows:

- Breach of financial / other regulations (6);
- Bribery and Corruption (8);
- Conflict of Interest (3);
- Theft of Council property (1),
- Fraudulent Claims / Allowances (2),
- External offences/conduct by staff (2), and
- Recruitment irregularities (2).

3.3 There were also 27 cases concluded during the same period, and six of these identified a degree of fraud or irregularity. There are currently 14 live investigations at various stages and four of these are classified as whistleblowing, either as anonymous or protected disclosure.

3.4 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.

3.5 The team arrange regular fraud awareness workshops across all Council services. 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

- 3.6 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 £93,000 per property as reported by the Cabinet Office ([National Fraud Initiative Reports 2016 - 2020](#)). The counter-fraud activity for 2021-22 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	84	74	84	82	66	23
New cases	204	61	73	31	39	202	176
Closed cases	192	51	63	41	37	186	133
Open cases c/f	94	94	84	74	84	82	66
Fraud Identified	27	7	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)

- 3.7 The total number of fraudulent housing cases concluded was 27, which is higher than recorded in the previous year of 11. The total value of these cases (notional and actual combined) is £2,522,900. In addition, the team has completed 30 tenancy verifications where fraud or irregularity was not identified and tenancy records verified.
- 3.8 The number of housing frauds detected 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 continue to focus on increasing the quality and quantity of referrals. Of the 204 referrals logged, 107 were from BHM teams, which represents 52% of new investigations opened compared with 30% for the same period in the previous year. In comparison, of the 27 successful fraudulent cases concluded in 2021-22, 16 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.
- 3.9 There are currently 98 live housing investigations – of these; 19 cases are involved with legal proceedings to recover the property, and a further 17 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 works closely with the relevant teams to progress these cases.

- 3.10 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 continues to assist management with its ongoing tenancy audit and anti-fraud strategy, which has included fraud risk training for staff.

### External Fraud

- 3.11 '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	147	134	99	96	37	20
New Referrals	288	103	76	74	35	343	193
Closed Cases	224	90	63	39	32	284	176
Open cases c/f	160	160	147	134	99	96	37
Fraud / Irregularity identified*	67	22	19	19	7	19	49

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

- 3.12 There has been a decrease in referrals of this type – 288 new cases compared to 343 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 then 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 also higher than with pre-lockdown arrangements.
- 3.13 Successful fraud detected outcomes have increased to 67 compared to 19 in 2020/21. This includes 31 cautions/warnings and 12 prosecutions for Blue Badge fraud. In addition to these outcomes, the cases where appropriate are filed to the [Cifas National Fraud Database](#), which helps to prevent and detect further fraud.
- 3.14 There are currently 103 live cases, which includes 50 Blue Badge, six Council Tax, and 20 Business Rates and Business Covid-19 Grant related cases. Other case types include; false planning submissions, theft of client funds, grants, benefits and other alleged fraud affecting the Council.

## Proactive activity

- 3.16 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	98	23	30	35	N/A*
New Proactive	110	5	93	3	9	
Closed Cases	96	54	18	10	14	
Open cases c/f	49	49	98	23	30	
<i>Fraud / Irregularity / Savings identified</i>	7	1	2	4	0	
<i>Advice / Recommendations</i>	2	1	0	0	1	
<i>Audit / Risk review</i>	96	54	18	10	14	

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

- 3.17 The mandatory data submissions for the [National Fraud Initiative \(NFI\) 2020](#) exercise was uploaded in October 2020. The results were available during 2020/21 Q4, and has produced 12,913 matches. The team have reviewed these 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 shows; 3,657 matches were reviewed, 3,369 cleared, 288 fraud or error detected with a savings value of £66,882. The total estimated savings total for this exercise is £706,185.
- 3.18 During 2021/22, 96 proactive cases were concluded. This included 89 NFI data matching reviews, which identified £62,385 actual savings from fraud or error relating to Council Tax, Creditors and Pensions. A further 98 proactive cases have been generated in Q3 and Q4 and the team are working on these. The majority are related to the NFI exercise, and six 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 and i4B Key Worker Housing.

- 3.19 There were six Blue Badge operations undertaken with Parking Enforcement during 2021 covering multiple areas across the borough. These included a visible targeted presence supporting other Council enforcement teams. The operations resulted in 95 badges inspected with multiple parking related offences identified and investigated. The team will continue to participate and lead on multi-team operations and continue to support other enforcement teams in wider targeted operations.
- 3.20 The team provided 15 structured fraud awareness training sessions in 2021/22 to multiple services including; Housing, Benefits, Environment, Parking, Finance, Social Services and Legal. In addition, the team has attended service meetings and other types of engagement to raise awareness and its profile.
- 3.21 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**

<b>Savings Summary (£)</b>	<b>Year to date</b>	<b>2021/22 Q4</b>	<b>2021/22 Q3</b>	<b>2021/22 Q2</b>	<b>2021/22 Q1</b>
** Blue Badge	180,550.00	12,650.00	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	2,418,000.00	651,000.00	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	
Section 17 Payments NRPF	5,000.00	5,000.00			
Litigation Investigation Costs	11,232.25	5,772.75	734.00	4,725.50	
	<b>3,019,827.14</b>	<b>674,422.75</b>	<b>852,248.18</b>	<b>1,157,756.31</b>	<b>335,399.90</b>

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

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

## Other Activity

- 3.22 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.
  - Two other local authorities who commenced EIFD membership since April 2021 have identified multiple instances of recruitment fraud.
  - The team and Cifas are working with HR and Recruitment to prepare for a go-live date in 2022/23.
- 3.23 The team have just received approval and started the process of joining a London wide *NFI FraudHub* to prevent and detect fraud/error across boundaries and provide more real-time data matching. This is an optional part of the main NFI platform and is separate to the biennial mandatory exercise. It allows flexibility for hub members to determine what data to upload and frequency based on its risk. It also allows the Council to conduct its own bespoke internal data matching, and includes another function called *NFI AppCheck*, which can be rolled out to front-line services to aid verification by searching the entire NFI database.
- 3.24 The Council's counter fraud related policies have recently been reviewed and updated, where appropriate, in accordance with planned timescales. As a result, minor amendments have been made to the following policies:
- Anti-Fraud and Bribery Policy;
  - Anti-Money Laundering; and
  - Whistleblowing Policy and Procedures.
- 3.25 The content of these policies has not materially changed and the key messages remain the same. The updated policies are made available to all Officers and Members via the [intranet](#). The Anti-Fraud and Bribery Policy is also available on the Council's '*reporting fraud and combating corruption*' [webpage](#).
- 3.26 The team has also recently worked with the Council's Learning and Development team to introduce refreshed e-learning training packages, which went live in April 2022 covering fraud prevention, bribery and corruption. It is anticipated this will be made mandatory for all new staff, and existing staff will be required to refresh their training at appropriate intervals.

**4.0 Financial Implications**

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

**5.0 Legal Implications**

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

**6.0 Equality Implications**

6.1 None

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

7.1 None

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

8.1 None

**Report sign off:**

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

# London Borough of Brent audit plan

**Year ending 31 March 2022**

London Borough of Brent  
May 2022  
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## Your key Grant Thornton team members are:

### Ciaran McLaughlin

Key Audit Partner

T 020 7728 2936

E Ciaran.T.McLaughlin@uk.gt.com

### Sophia Brown

Director

T 020 7728 3179

E Sophia.Y.Brown@uk.gt.com

### Reshma Ravikumar

Manager

T 020 7728 3073

E Reshma.Ravikumar@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## Factors

### Council developments

Following local elections in May the Council now has a new Cabinet with women making up 70% of Councillors. A key focus for the new Cabinet is to address and support residents in the cost of living crisis currently faced by many in the UK. This is the top risk in the Council's risk register with an expected associated increase in homelessness for the Borough. The Council has put an extra £3m into its resident support fund to support residents in need of help. The impact on Children's Services is also significant with an increase in referrals this year and 40% of the Borough's children living in poverty.

The Council has been heavily involved in the process to settle Ukrainian refugees with families in the Borough. The Council receives funding to provide support services for Ukrainian refugees and separate funding for those that require schooling in Brent. To date, 99 people have been placed in the Borough.

### Audit Quality

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year.

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR.

### Infrastructure Assets

The CIPFA Code of Practice on Local Authority Accounting prescribes the accounting treatment and disclosure requirements for infrastructure assets and requires these to be reported in the Balance Sheet at depreciated historical cost (i.e., historic cost less accumulated depreciation and impairment). Nationally, this has become an area of regulator interest, with CIPFA and the NAO also reviewing this issue, as there a risk that where authorities have incurred expenditure on the replacement or enhancement of existing infrastructure assets, they may not readily be able to identify the original assets being replaced or enhanced. This could result in an overstatement of both gross book values and accumulated depreciation, and potentially also net book values where assets lives have not been assessed regularly and on an appropriate basis.

### New system implementation – Oracle Cloud Fusion

In October 2021 the Oracle Cloud Fusion system replaced the Council's Oracle EBS system used for financial, payroll and HR transactions.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will be alert to the emerging guidance around infrastructure assets. The Council's infrastructure balance is material (£228m net book value in 2020/21) and we will work with management to understand how the Council accounts for these assets – refer to page 11.
- We identified a significant audit risk relating to new system data migration – refer to page 9. Our IT auditors will review the Council's processes and controls for ensuring the data migration was complete and accurate.
- We will continue to provide you with sector updates via our Audit & Standards Committee updates.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the London Borough of Brent ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the London Borough of Brent. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Standards Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit & Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

## Group Audit

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

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of land and buildings
- Valuation of Council dwellings
- Valuation of net pension fund liability
- Fraud in expenditure recognition
- New system data migration

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

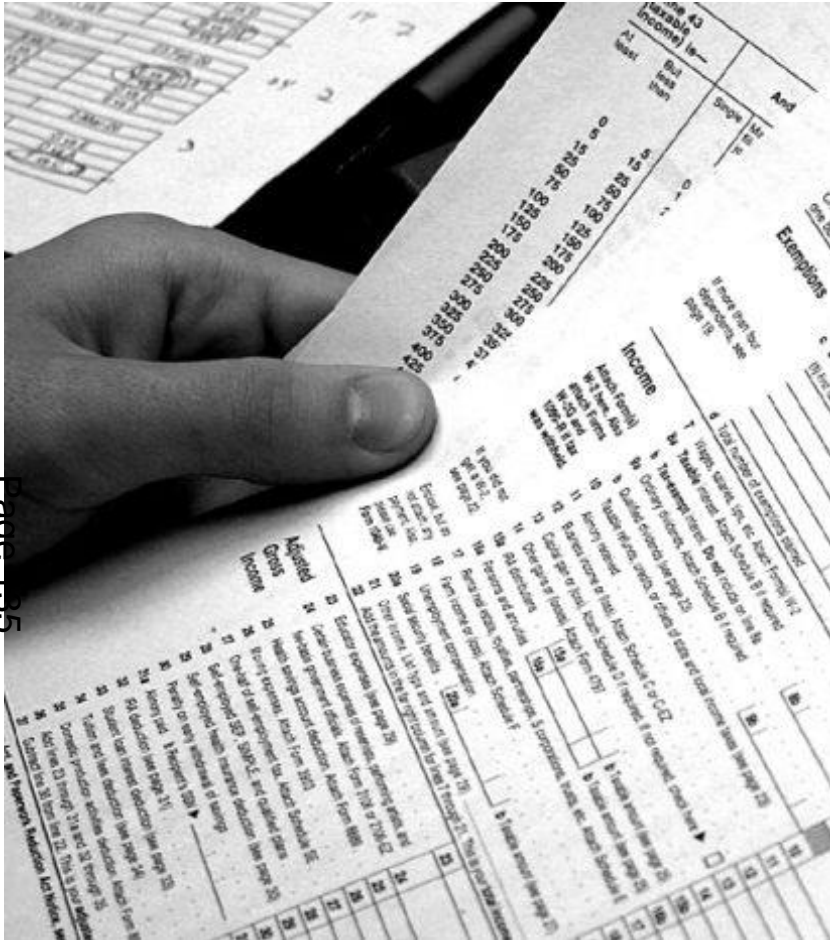
## Materiality

We have determined planning materiality to be £17.072m (PY £16,176m) for the group and £16.9m (PY £16.1m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.845m (PY £0.8m).

## Value for Money arrangements

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

# Introduction and headlines



## Audit logistics

Our planning and interim visit took place in March and our final visit will commence in July. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £237,884 (PY: £227,184) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Group audit scope and risk assessment

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
London Borough of Brent	Yes		See pages 7 to 11	Full scope audit performed by Grant Thornton UK LLP
First Wave Housing	No		None	Analytical review performed by Grant Thornton UK LLP
I4B Holdings Ltd	No		None	Analytical review performed by Grant Thornton UK LLP
LGA Digital Services	No		None	Analytical review performed by Grant Thornton UK LLP
Barham Park Trust	No		None	Analytical review performed by Grant Thornton UK LLP

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Page 137 The revenue cycle includes fraudulent transactions (rebutted)	Council	<p>Under ISA (240) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and nature of the revenue streams at the London Borough of Brent, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including the London Borough of Brent, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We do not consider this to be a significant risk for the London Borough of Brent.</p>	
Fraud in expenditure recognition	Council	<p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures.</p> <p>Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period.</li> <li>• Inspect a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; compare size and nature of accruals at year to the prior year to help ensure completeness.</li> <li>• Investigate manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	Group and Council	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the Group and Council, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate the design effectiveness of management controls over journals.</li> <li>Analyse the journals listing and determine the criteria for selecting high risk unusual journals.</li> <li>Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.</li> <li>Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of land and buildings	Council	<p>The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£2,076m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2021 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.</li> <li>Evaluate the competence, capabilities and objectivity of the valuation expert.</li> <li>Discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out.</li> <li>Engage our own valuer expert, Gerald Eve, to provide commentary on: <ul style="list-style-type: none"> <li>the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and</li> <li>the valuation methodology and approach, resulting assumptions adopted and any other relevant points.</li> </ul> </li> <li>Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.</li> <li>Test revaluations made during the year to see if they have been input correctly to the Council's asset register.</li> <li>Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	Council	<p>The pension fund net liability, as reflected in the Council's balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£863m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls.</li> <li>Evaluate the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work.</li> <li>Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.</li> <li>Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.</li> <li>Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> </ul>
New system implementation	Group and Council	<p>In October 2021 the Oracle Cloud Fusion system replaced the Council's Oracle EBS system used for financial, payroll and HR transactions.</p> <p>Data migration is fundamental to any business technology transformation and there is a risk of error when data is moved from one system to another. New systems are often evolving and present a greater risk material misstatements.</p> <p>Given the nature of this transition, we have identified a risk of material misstatement in relation to the system migration, at financial statements level.</p> <p>Our work so far identified that the new fixed asset module is set up to record capital transactions in only one period rather than 12 periods. This will impact on some capital accounting transactions, for example depreciation calculations on mid-year additions and disposals. We understand the finance team is working through any manual adjustments that will be required for the Property, Plant and Equipment note and transactions in the financial statements.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> <li>Our IT auditors will perform an assessment of the Council's processes and controls used as part of the transitioning from Oracle EBS to Oracle Cloud Fusion during the audit period.</li> <li>We will perform detailed testing over security management, technology acquisition and infrastructure as well as development and maintenance.</li> <li>Evaluate the design and implementation of controls management put in place to ensure balances at month six were moved correctly to month seven are complete and accurate.</li> <li>Reconcile opening balances at month seven to closing balances at month six, including reconciliations of the general ledger, accounts payable, accounts receivable and assets.</li> <li>Review manual capital accounting adjustments between the ledger and the financial statements.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Council dwellings	Council	<p>The Council owns 7,912 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of Beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>This year the Council will conduct full revaluation of its housing stock as at 1 April 2021 using the Beacon methodology. The valuer will then review market changes from 1 April 2021 to 31 March 2022 to correctly state the value of HRA stock held by the Council during the financial period in current terms. The Council has engaged its valuer, Wilks Head &amp; Eve LLP, to complete the valuation of these properties.</p> <p>For 2020/21 the year end valuation of Council Housing was £670.15m. This represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.</li> <li>• Evaluate the competence, capabilities and objectivity of the valuation expert.</li> <li>• Discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out.</li> <li>• Engage our own valuer expert, Gerald Eve, to provide commentary on: <ul style="list-style-type: none"> <li>• the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and</li> <li>• the valuation methodology and approach, resulting assumptions adopted and any other relevant points.</li> </ul> </li> <li>• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.</li> <li>• Conduct sample testing of Beacon properties to ensure representative properties have been used in the valuation, and correctly applied to other similar properties.</li> <li>• Review the estimate against valuation trends of similar properties in London.</li> <li>• Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Value of infrastructure assets and presentation of the gross cost and accumulated depreciation in the PPE note	Council	<p>Infrastructure assets includes roads, highways, streetlighting and coastal assets. In 2020/21 the Council spent £28m on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £228m which is over 13 times audit materiality.</p> <p>In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address:</p> <ol style="list-style-type: none"> <li data-bbox="517 531 1384 611">1. The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.</li> <li data-bbox="517 627 1384 738">2. The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of infrastructure assets is overstated. It will be overstated if management do not derecognise components of infrastructure when they are replaced.</li> </ol> <p>We have reviewed the prior year property, Plant and Equipment note and although there have been additions to infrastructure (20/21 £28m and 19/20 £18.1m) the Council has not derecognised any infrastructure assets in the past two years.</p> <p>We are not assessing these risks as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li data-bbox="1406 347 2136 368">• Reconcile the fixed asset register to the financial statements.</li> <li data-bbox="1406 384 2136 440">• Using our own point estimate, consider the reasonableness of depreciation charge to infrastructure assets.</li> <li data-bbox="1406 456 2136 512">• Obtain assurance that the UELs applied to infrastructure assets are reasonable.</li> <li data-bbox="1406 528 2136 635">• Document our understanding of management's process for derecognising infrastructure assets on replacement, and obtain assurances that the disclosure in the PPE note is not materially misstated.</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

We identified one recommendation in our 2020/21 audit in relation to the Council's estimation process for the valuation buildings, in relation to the useful economic lives of buildings.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

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

- Valuations of land and buildings, including council dwellings
- Depreciation
- Fair value estimates
- Valuation of level 2 and level 3 investments
- Valuation of defined benefit net pension fund liabilities
- Year end provisions
- Income and expenditure accruals
- Credit loss and impairment allowances
- PFI liabilities

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

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Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

### Planning enquiries

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

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act

- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £17.072m (PY £16.176m) for the group and £16.9m (PY £16.1m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.845m for senior officers' remuneration and related parties.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

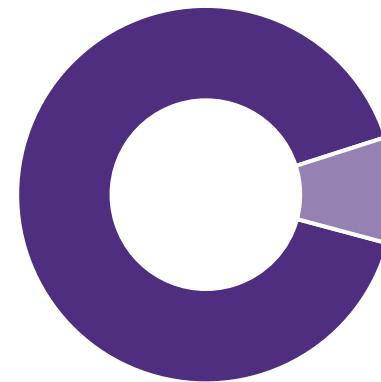
## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.845m (PY £0.8m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Standards Committee to assist it in fulfilling its governance responsibilities.

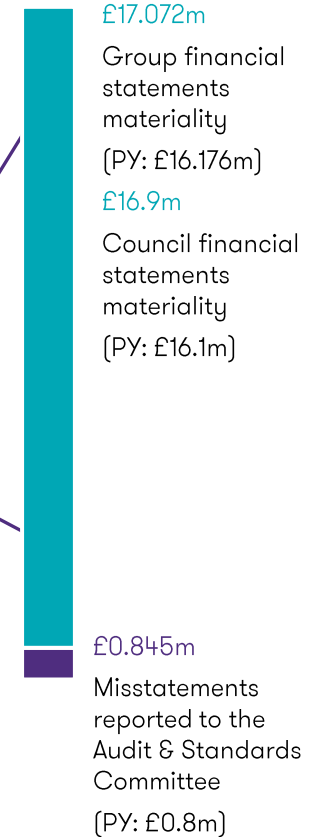
## Prior year gross operating costs

Group  
£1,138.1m  
Council  
£1,123.8m



■ Prior year gross operating costs

## Materiality



# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

For this year's audit we have completed system documentation, and walkthroughs where relevant, for each of the Council's material systems both pre and post-Oracle Cloud Fusion implementation. Our IT audit team has completed work to review the processes and controls around the transition, complete ITGC review of Oracle Cloud Fusion, and review of reconciliations of all key systems between Oracle EBS and Oracle Cloud Fusion. During the financial statements audit the audit team will reconcile audit trails from both systems to the financial statements and we will conduct our testing on the full financial year's transactions requiring sampling from both Oracle EBS and Oracle Cloud Fusion.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting and integrated systems (accounts payable, accounts receivable and fixed assets)	IT audit work performed in respect of the 31 March 2021 year end will be rolled forward for the period 1 April to 14 October 2021.

In addition, due to the significant changes during the period, specifically the new system implementation additional audit procedures will be completed to address the additional risks of material misstatement identified.

IT system	Event	Relevant risks	Planned IT audit procedures
Oracle Cloud Fusion	New system implementation	Post migration data completeness and accuracy.	<ul style="list-style-type: none"> <li>Perform an assessment of the Council's processes and controls used as part of the transitioning from Oracle EBS to Oracle Cloud Fusion during the audit period.</li> <li>Perform detailed testing over security management, technology acquisition and infrastructure as well as development and maintenance.</li> <li>Evaluate the design and implementation of controls management put in place to ensure balances at month six were moved correctly to month seven are complete and accurate.</li> <li>Reconcile opening balances at month seven to closing balances at month six, including reconciliations of the general ledger, accounts payable, accounts receivable and assets.</li> </ul>

# Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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

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We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



# Audit logistics and team



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## Ciaran McLaughlin, Key Audit Partner

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



## Sophia Brown, Director

### Reshma Ravikumar, Audit Manager

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



## Abisoye Ilaka, Audit In-Charge

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



Year end audit  
July - September

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

# Audit fees

In 2017, PSAA awarded a contract of audit for the London Borough of Brent to begin with effect from 2018/19. The fee agreed in the contract was £153,684. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 12 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2021/22, as set out below, has been agreed with the Director of Finance.

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	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
London Borough of Brent Audit	£211,184	*£227,184	£227,184
London Borough of Brent Pension Fund Audit	£28,750	*£33,000	£37,808
New system implementation	n/a	n/a	£10,000
Audit of First Wave Housing	£27,500	£29,500	£31,000
Audi of I4B Ltd	£29,500	£31,500	£33,500
<b>Total audit fees (excluding VAT)</b>	<b>£296,934</b>	<b>£321,184</b>	<b>£339,492</b>

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

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Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Capital receipts grant	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £227,184 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension grant	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £227,184 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Subsidy	18,000 plus per diem rate for additional work required	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £18,000 in comparison to the total fee for the audit of £227,184 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

# Independence and non-audit services cont.

Service	Fees £	Threats	Safeguards
<b>Audit related</b>			
I4B Holdings Ltd Audit	£33,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £33,500 in comparison to the total fee for the audit of £227,184 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
First Wave Housing Ltd Audit	£31,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £31,000 in comparison to the total fee for the audit of £227,184 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Objection to the 2021/22 accounts	TBC	None identified	

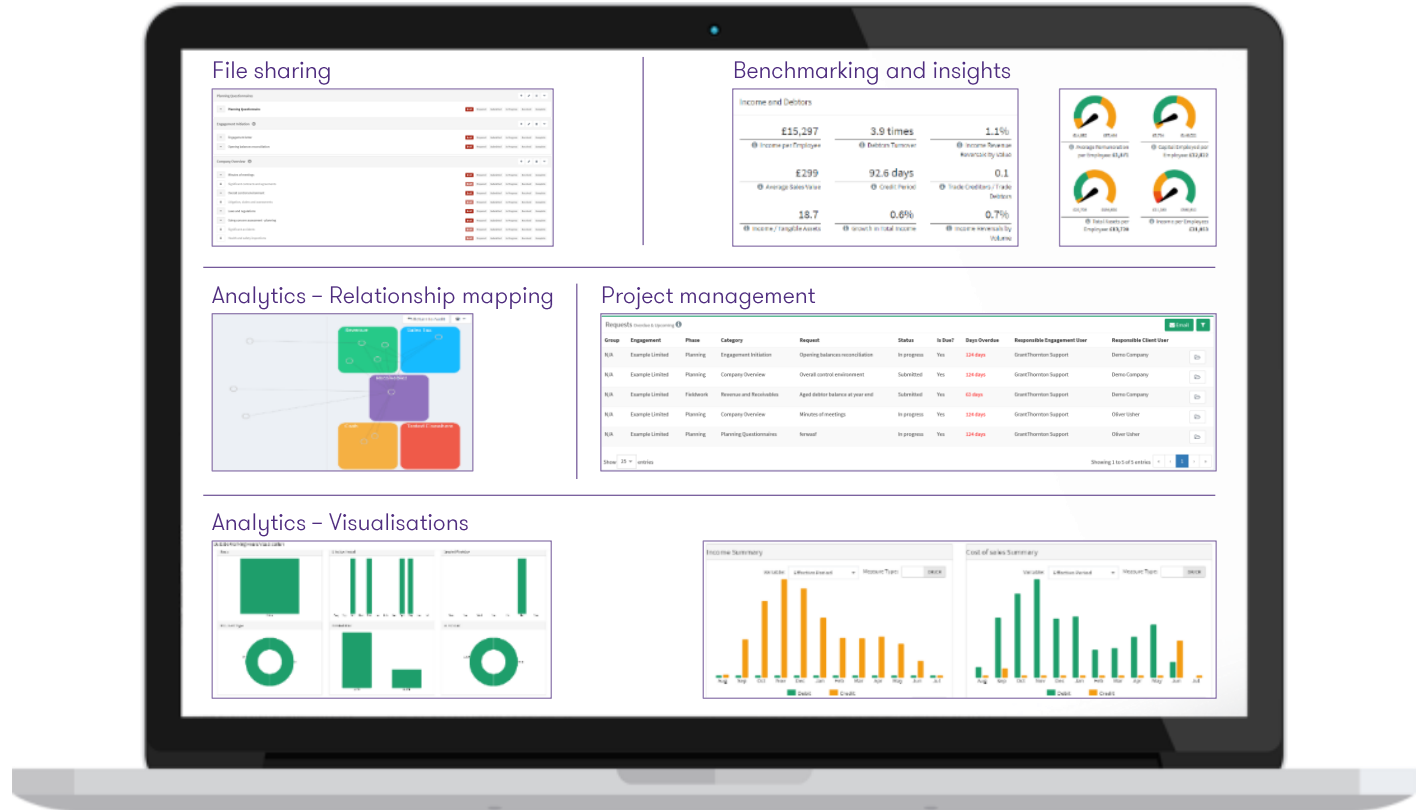
The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all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

None of the services provided are subject to contingent fees.

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

# Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the group's financial statements, which resulted in six recommendations being reported in our 2020/21 Audit Findings Report.

We have followed up on the implementation of our recommendations and we are pleased to report that management is implementing all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	<p><b>Cash in transit prior year error</b></p> <p>We recommended that management must ensure that bank reconciliation include review of in-year movement on the bank reconciliation to the bank statement, to identify any significant movements in cash in transit.</p>	Cash in transit has been reconciled for 21-22, and there are no significant issues.
2 ✓	<p><b>Transaction listings and audit evidence</b></p> <p>We recommended that the:</p> <ul style="list-style-type: none"> <li>Transaction listings provided to audit should be cleansed of significant contra entries.</li> <li>Quality of working papers should be consistent and easy to follow, containing the required information for audit.</li> </ul>	<p>In response, Management have undertaken the following:</p> <ul style="list-style-type: none"> <li>a better process for cleansing significant contra entries for audit has been put in place, and</li> <li>finance staff have had training from an external expert on working papers, and working papers will be reviewed to ensure that their quality and intelligibility are appropriate</li> </ul>
3 ✓	<p><b>Grants register</b></p> <p>We recommended that management should:</p> <ul style="list-style-type: none"> <li>Regularly review and update the grants register.</li> <li>Reconcile the grants register to the financial statements as part of the accounts preparation process.</li> </ul>	<p>The Management have:</p> <ul style="list-style-type: none"> <li>regularly reviewed and updated the grants register, and</li> <li>reconciled the grants register to the financial statements as part of the preparation process</li> </ul>
4 ✓	<p><b>Payroll creditors reconciliation</b></p> <p>We recommended that management must complete a reconciliation of payroll creditors and identify any issues which may apply to future years' reconciliations.</p>	Payroll creditors have been reconciled to the closing 21-22 position
5 ✓	<p><b>IT audit control findings – Security management</b></p> <p>We recommended management to review and address detailed recommendations as set out in the 2020/21 IT Audit Report. Subsequently the Council moved to Oracle Cloud Fusion in October 2021.</p>	The council has put considerable effort into developing an appropriate set of IT controls for Oracle Cloud, and has engaged with internal audit throughout the process to ensure that these controls are consistent with best practice.
6 ✓	<p><b>Useful economic lives of buildings</b></p> <p>We recommended that management should provide its valuer with the capital improvement plan for its asset base, to inform accurate useful economic lives of buildings.</p>	The capital improvement plan has been discussed with the valuers, and the information they requested was provided to them.



# External audit plan

**Year ending 31 March 2022**

London Borough of Brent Pension  
Fund  
May 2022  
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## Your key Grant Thornton team members are:

### Ciaran McLaughlin

Key Audit Partner

T 020 7728 2936

E [Ciaran.T.Mclaughlin@uk.gt.com](mailto:Ciaran.T.Mclaughlin@uk.gt.com)

### Reshma Ravikumar

Audit Manager

T 020 7728 3073

E [Reshma.Ravikumar@uk.gt.com](mailto:Reshma.Ravikumar@uk.gt.com)

### Abisoye Ilaka

Audit In-Charge

T 020 7728 2589

E [Abisoye.O.Ilaka@uk.gt.com](mailto:Abisoye.O.Ilaka@uk.gt.com)

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 Materiality  
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund 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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# Key matters

## Factors

### Pension Fund

The investment assets have continued to rise throughout 2021-22 and the Fund has posted positive returns ending Quarter 3 of 2021-22 with a valuation of £1,155.7m. This was £1,030.7m as at 31 March 2021 and £1,076.2m at the end of Quarter 2 of 2021-22.

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to support implementation of the McCloud remedy in the public service pension schemes. The McCloud remedy will be implemented in two phases that will impact the 2022-23 financial year.

### Russian investments

Following the Russian invasion of Ukraine that has led to the UK Government sanctions, Local Government Pension Scheme funds are being advised to consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken. The Moscow Stock Exchange closed on February 28 2022 and an apparent ban on western companies from selling Russian investments was imposed by prime minister Mikhail Mishustin has compounded investors' liquidity problems, with markets for Russian stocks and government bonds drying up.

Members as the Funds Trustees are expected to uphold their fiduciary duties, prioritising scheme returns and the proper payment of pensions. However, Members are allowed to consider ethical factors concerning investments, and can divest from problematic assets provided that this does not prove materially detrimental to the scheme. The Pensions Regulator has asked all schemes to ensure that their investments are aligned with the UK government's sanctions on Russia.

### New system implementation – Oracle Cloud Fusion

In October 2021, the Oracle Cloud Fusion system replaced the Council's Oracle EBS system used for financial, payroll and HR transactions.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will continue to provide you with sector updates via our Audit & Standards Committee updates.
- We will review the funds response to any exposure in Russian investments.
- We identified a significant audit risk relating to [the data migration to the new ledger - refer to page 7. Our IT auditors will review the Pension Fund's process for ensuring the data migration was complete and accurate.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of London Borough of Brent Pension Fund ('the Pension Fund') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Standards committee).

The audit of the financial statements does not relieve management or the Audit & Standards Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

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

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Level 3 Investments
- New finance system implementation

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £10.31m (PY £10.3m) for the Pension Fund, which equates to 1% of your prior year net assets. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.5m (PY £0.5m).

## Audit logistics

Our interim visit took place in March 2022 and our final visit will take place between July and September 2022. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach and logistics are detailed in Pages 5 to 14.

Our fee for the audit will be £33,000 (PY: £33,000) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Presumed risk of fraud in revenue recognition</p> <p>ISA (UK) 240</p>	<p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>- there is little incentive to manipulate revenue recognition</li> <li>- opportunities to manipulate revenue recognition are very limited</li> <li>- the culture and ethical frameworks of local authorities, including London Borough of Brent Council and Pension Fund, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore, we do not consider this to be a significant risk for London Borough of Brent Pension Fund.</p>	Significant risk rebutted
Fraudulent expenditure recognition	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We are satisfied that this did not present a significant risk of material misstatement in the 2021/22 accounts as:</p> <ul style="list-style-type: none"> <li>- the control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong</li> <li>- we have not found significant issues, errors or fraud in expenditure recognition in the prior years audits</li> <li>- our view is that, similarly to revenue, there is little incentive to manipulate expenditure recognition</li> </ul> <p>Therefore, we do not consider this to be a significant risk for London Borough of Brent Pension Fund.</p>	Significant risk rebutted

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management Override of Controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals.</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals.</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of Level 3 Investments	<p>You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £81m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022.</p> <p>We therefore have identified Valuation of Level 3 Investments as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes for valuing Level 3 investments;</li> <li>• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met;</li> <li>• independently request year-end confirmations from investment managers and the custodian;</li> <li>• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period;</li> <li>• in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and</li> <li>• where available review investment manager service auditor report on design and operating effectiveness of internal controls.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
New system implementation	<p>In October 2021, the Oracle Cloud Fusion system replaced the Pension Fund's Oracle EBS system used for financial, payroll and HR transactions.</p> <p>Data migration is fundamental to any business technology transformation and there is a risk of error when data is moved from one system to another. New systems are often evolving and present a greater risk material misstatements.</p> <p>Given the nature of this transition, we have identified a risk of material misstatement in relation to the system migration, at financial statements level.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> <li>• Our IT auditors will perform an assessment of the Council's processes and controls used as part of the transitioning from Oracle EBS to Oracle Cloud Fusion during the audit period.</li> <li>• We will perform detailed testing over security management, technology acquisition and infrastructure as well as development and maintenance.</li> <li>• Evaluate the design and implementation of controls management put in place to ensure balances at month six were moved correctly to month seven are complete and accurate.</li> <li>• Reconcile opening balances at month seven to closing balances at month six, including reconciliations of the general ledger, accounts payable, accounts receivable and assets.</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

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

- Valuation of level 2 and level 3 investments
- Valuation of the Present Value of Future Retirement Benefits

## The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

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Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

### Planning enquiries

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

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

The Pension Fund is administered by London Borough of Brent (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.

We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £10.31m (PY £10.3m), which equates to 1% of your prior year net assets as at 31 March 2022.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

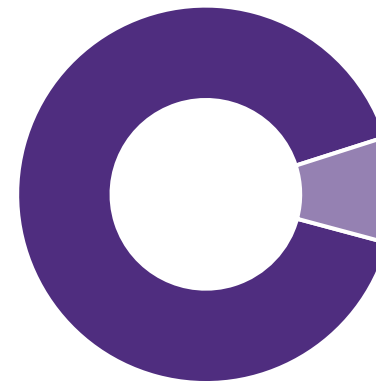
## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.515m (PY £0.515m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Standards Committee to assist it in fulfilling its governance responsibilities.

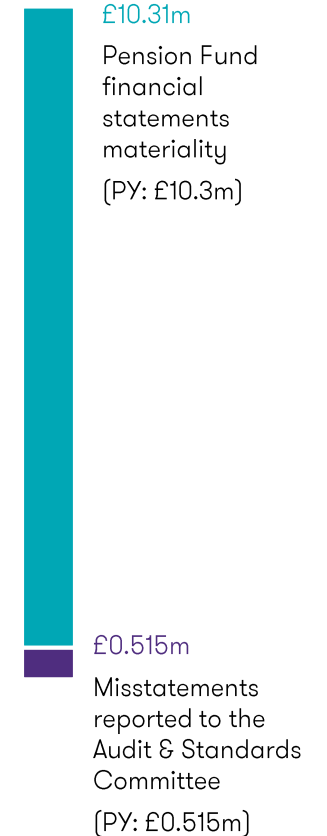
## Prior year net assets

£1,030.7m Pension Fund



■ Net assets ■ Materiality

## Materiality



# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

For this year's audit we have completed system documentation, and walkthroughs where relevant, for each of the Council's material systems both pre and post-Oracle Cloud Fusion implementation. Our IT audit team has completed work to review the processes and controls around the transition, complete ITGC review of Oracle Cloud Fusion, and review of reconciliations of all key systems between Oracle EBS and Oracle Cloud Fusion. During the financial statements audit the audit team will reconcile audit trails from both systems to the financial statements and we will conduct our testing on the full financial year's transactions requiring sampling from both Oracle EBS and Oracle Cloud Fusion.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting and integrated systems (accounts payable, accounts receivable and fixed assets)	IT audit work performed in respect of the 31 March 2021 year end will be rolled forward for the period 1 April to 14 October 2021.
LPPA - Altair	Pension Administration	Streamlined ITGC assessment

In addition, due to the significant changes during the period, specifically the new system implementation, additional audit procedures will be completed to address the additional risks of material misstatement identified.

IT system	Event	Relevant risks	Planned IT audit procedures
Oracle Cloud Fusion	New system implementation	Post migration data completeness and accuracy.	<ul style="list-style-type: none"> <li>Perform an assessment of the Pension Fund's processes and controls used as part of the transitioning from Oracle EBS to Oracle Cloud Fusion during the audit period.</li> <li>Perform detailed testing over security management, technology acquisition and infrastructure as well as development and maintenance.</li> <li>Evaluate the design and implementation of controls management put in place to ensure balances at month six were moved correctly to month seven are complete and accurate.</li> <li>Reconcile opening balances at month seven to closing balances at month six, including reconciliations of the general ledger, accounts payable, accounts receivable and assets.</li> </ul>

# Audit logistics and team



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## Ciaran McLaughlin, Key Audit Partner

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



## Reshma Ravikumar, Audit Manager

Reshma will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Reshma will attend Audit & Standards Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all.



## Abisoye Ilaka, Audit In-Charge

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

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

# Audit fees

In 2017, PSAA awarded a contract of audit for the London Borough of Brent to begin with effect from 2018/19. The fee agreed in the contract was £16,170. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 8 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2021/22, as set out below, has been agreed with the Director of Finance.

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	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Brent Pension Fund Audit	£28,750	£33,000	£35,308
New system implementation	n/a	n/a	£2,500
Total audit fees (excluding VAT)	£28,750	<b>£33,000</b>	£37,808

## Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

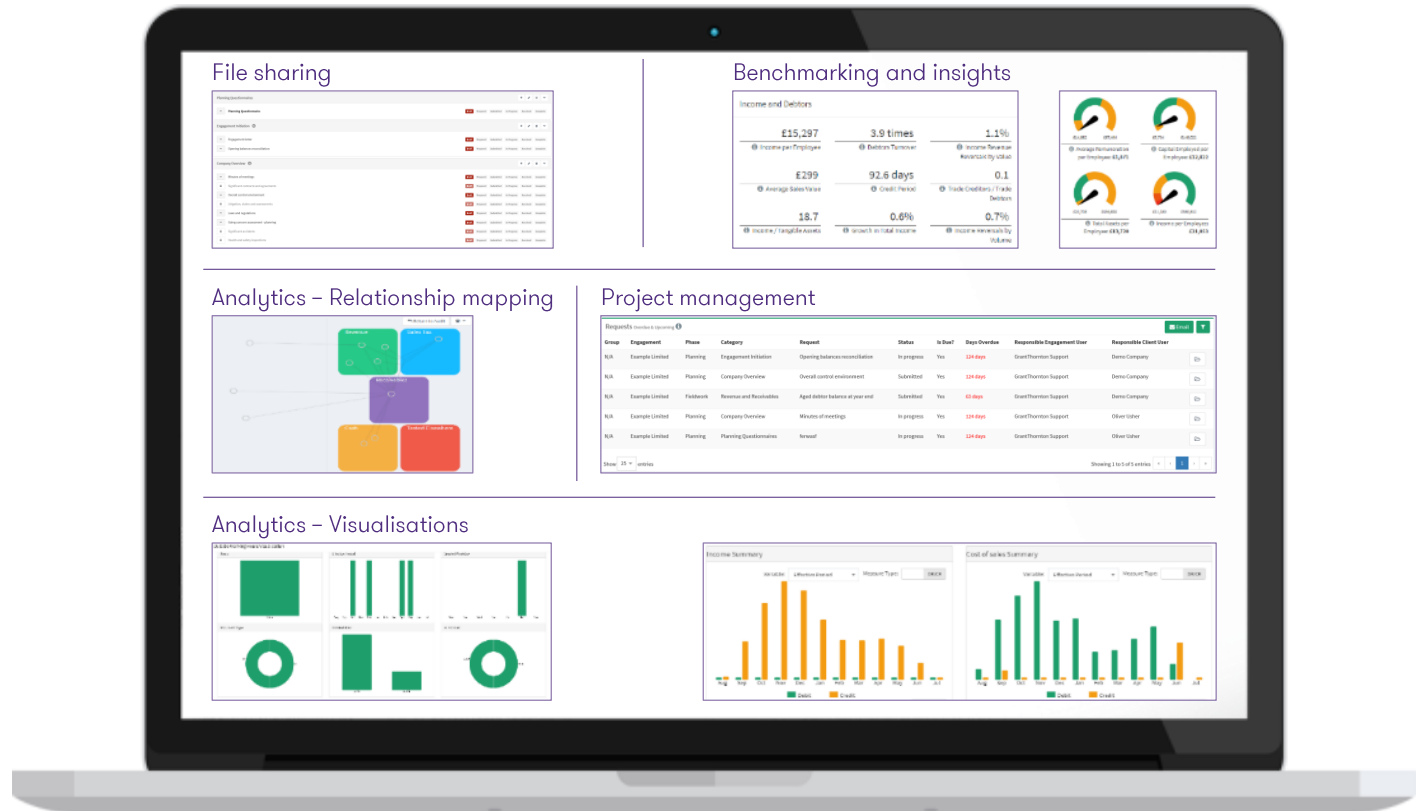
No other services provided by Grant Thornton were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

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## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



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

Topic / Date	07-Jun-22	26-Jul-22	20-Sep-22	07-Dec-22	30-Jan-23	27-Mar-23
<b>Internal Audit &amp; Investigations</b>						
Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
Review Internal Audit External Quality Assessment Outcomes						X
Internal Audit Progress Reports			X		X	
Annual/Interim Counter Fraud Report	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					
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
Planning Code of Practice Review		X*				
Receive and agree the Annual Governance Statement	X*					
<b>Risk Management</b>						
Strategic Risk Register Update	X				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	X
Annual Standards Report						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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