

Audit and Standards Advisory Committee

Thursday 29 September 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)
Long
Kabir
Smith
S Butt
Choudry
Patel

Councillors:

Afzal, Agha, Begum, Gbajumo, Molloy and Shah

Councillors:

Kansagra and Mistry

Independent Members

Javed Ansari

Independent Advisor

Vineeta Manchanda

For further information contact: Andrew Phillips, Governance Officer
Tel: 020 8937 4219; Email: Andrew.Phillips@brent.gov.uk

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:

www.brent.gov.uk/committees

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 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 and action log	1 - 10
To approve the minutes of the previous meeting held on 1 August 2022 as a correct record, and note the actions arising from the meeting.	
5 Matters arising (if any)	
To consider any matters arising from the minutes of the previous meeting.	
Standards Items	
6 Standards Report	11 - 18
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.	
7 Complaints and Code of Conduct	19 - 44
This report provides an annual review of the complaints received pursuant to, and a review of the Members' Code of Conduct Complaints procedure.	

Audit Items

8 To review performance, management and annual accounts of i4B Holdings Ltd and First Wave Housing Ltd 45 -126

To provide an update on i4B Holdings Ltd.'s and First Wave Housing Ltd.'s draft accounts, recent performance, risk register and recent audits.

8.1 I4B Holdings

8.1.1 Report from Chair of I4B Holdings Ltd 45 - 64

This report provides the Audit and Standards Advisory Committee (The Committee, ASAC) with an update on i4B Holdings Ltd.'s (i4B; The Company) draft accounts, recent performance, housing companies' development strategy, risk register, and recent audits.

8.1.2 i4B Holdings External Audit Findings 65 - 86

8.2 First Wave Housing Ltd

8.2.1 Report from Chair of First Wave Housing Ltd 87 - 104

This report provides the Audit and Standards Advisory Committee (The Committee, ASAC) with an update on First Wave Housing Ltd.'s (FWH; The Company) draft accounts, recent performance, risk register, and audit arrangements.

8.2.2 First Wave Housing Ltd External Audit Findings 105 - 126

9 Emergency Preparedness update 127 - 132

At the January 2018 Audit Advisory committee, it was resolved that an Emergency Preparedness item be added to the forward plan to be discussed annually going forward. This report briefly outlines the progress made since the 2021 report, details the type and number of incidents in Brent and provides some information around initiatives and programmes of work under way to enhance our resilience and response arrangements.

10 Statement of Accounts 133 - 136

To receive and note the auditors findings and delegate signing of the Council's Annual Statement of Accounts.

11 LB Brent 2021/22 Audit Findings Report 137 - 186

To receive a report from Grant Thornton (External Auditors) providing an update on the 2021/22 Audit Findings.

12 LB Brent Pension Fund 2021/22 Audit Findings Report 187 - 206

To receive a report from Grant Thornton (External Auditors) providing an update on their Pension Fund Audit Findings for 2021/22.

13 Planning Code of Practice Review 207 – 236

The purpose of this report is to update the Committee on the outcome of the Independent Review, and the consequential recommended changes, in relation to the Planning Code of Practice.

14 Review the Committee's Forward Plan 237 - 238

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: Wednesday 7 December 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 [here](#)

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MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Held in the Conference Hall, Brent Civic Centre, on Monday 1 August 2022 at 6.00 pm.

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

Independent Advisor: Vineeta Manchanda

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

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

2. **Declarations of Interest**

Councillor Saqib Butt declared that he was a Director on the Board of I4B / First Wave Housing.

3. **Deputations (if any)**

None.

4. **Minutes of the previous meeting and Action Log**

It was **RESOLVED** that the minutes of the previous meeting held on 7 June 2022 be approved as a correct record.

Regarding the Action Log of the previous meeting, Councillor Chan noted that expressions of interest had been received from Committee Members in Officers presenting an item to the Committee on the current Cost of Living Emergency.

As a result of this proposal, it was agreed for the Chair and Vice-Chair of the Audit and Standards Advisory Committee to discuss with the relevant Scrutiny Chairs to agree the most appropriate way to bring this issue to the Committee.

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

Financial Inclusion Dashboard Presentation

A short presentation on the Financial Inclusion Dashboard was presented to the Committee, by Sadie East (Operational Director, Transformation) and Asha Vyas (Head of Customer Services and Assessments).

As a result of the presentation, the following points were raised, which are summarised below:

- It was noted that the data was being compiled from individual systems already within the Council. Once the integration of systems was complete, there would be further information within the dashboard. It was also noted that every effort was made to gather information from hard to reach communities.
- It was asked if the data sets would increase to include residents who were at risk of falling in to debt in the future; it was noted that a current aspect that was analysed was where residents were changing payment types, as well as other indicators.
- It was confirmed that personal details of residents were safely stored by the Council; there was a strategic view and an Officer view within the system, meaning that only Officers working on cases could access residents' details
- It was clarified that there was an indication whether a resident or family was in receipt of Free School Meals on the system.
- In response to a query around how quickly data could be received by the system, it was updated that the dashboard was updated daily, and that a practitioners network had been set up, comprising of services working alongside the income and debt team to ascertain where targeted help was required. As more data became available, the Council were carrying out an Outcome Based Review which would assess how the Council's ways of working as a whole would change. When this Review was completed, it was suggested that the results be presented at a future meeting of the Committee.

Officers were thanked for their presentation, and the Committee noted the update provided.

6. Standards Report (including gifts and hospitality)

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

In considering the report the Committee noted:

- Members were 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.
- It was updated that Councillor Patel's declaration within appendix one should have read as £77, and the register had been updated to reflect this.
- It was updated that in terms of Member Development, one session remained on diversity and inclusion. All training had been well attended by Members.

Full details of attendance at mandatory sessions will be provided to the committee in September.

- After the CSPL review, it was noted that the full government response had set out the recommendations that the Govt. accepted would ensure high ethical standards were maintained. The CSPL report had initially been published in January 2019 with 26 recommendations, with the LGA implementing the first of these in 2020. 6 of these recommendations involved strengthening sanctions for Members breaching the code of conduct, though there were currently no plans from national government to implement these proposals.

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

- It was clarified that the LGA code of conduct was not mandatory to be adopted by local authorities, though many local authorities have adopted the full Code or some proposals to add to their current codes of conduct.
- It was asked if there were plans for the Brent website to show the complaints received against Councillors, and it was noted that this was set out within the annual report.
- The Committee noted that it would be helpful to see where Brent's code of conduct differed to the proposals set out in the LGA guidance. It was agreed that this annotation would be circulated to Members of the Committee. (*Action: Bianca Robinson/Debra Norman*)

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

7. External Audit Progress Update

Sheena Phillips, External Audit (Grant Thornton), introduced the verbal report.

In presenting the report the Committee noted:

- Sheena Phillips had been appointed as the new Audit Manager, replacing Sophia Brown.
- The main risk identified from the previous year's audit was the new Oracle online system implementation, with no other risks flagged yet.

It was **AGREED** to note the verbal report.

8. Emergency Preparedness Update

Carolyn Downs, Chief Executive, introduced this item. This report briefly outlines the progress made since the 2021 report, details the type and number of incidents in Brent and provides some information around initiatives and programmes of work underway to enhance the Council's resilience and response arrangements. Due to the absence of Lead Officer (Daryl Jooste), it was agreed that this report be brought to the next meeting of the Audit and Standards Advisory Committee on 20 September 2022 for further discussion.

In considering the report the Committee noted:

- Currently there were 23 staff who undertake duties according to a call out rota (down from 30 a year ago). It was updated that recruitment campaign will commence shortly to bring the numbers back to full strength, and the Committee would be provided with an update at the next meeting.
- It was asked how easily Members of the public could report emergencies in an easier way than the Emergency Online Form; it was noted that the majority of cases were dealt with either internally by the Council or in conjunction with partner organisations.
- It was confirmed that there were currently no plans to prevent the sales of disposable barbecues in Brent shops.
- Daryl Jooste's efforts were recorded by the Committee, and it was agreed to cover more detailed questions at the next meeting of the Committee.

As no further issues were raised the Chair thanked officers for the report and the Committee **RESOLVED**, subject to the report returning to the Committee at the next meeting, to note the report.

9. **Internal Audit 2021-22 Annual Report – Addendum Report**

Debra Norman presented this report. This report was an addendum to the 2021-22 Annual Internal Audit report, which was as presented to the Audit and Standards Advisory Committee on 7th June 2022. The report provided an update in relation to the audit work that has subsequently been completed in accordance with the 2021-22 Internal Audit Plan.

Key issues highlighted were as follows:

- This report was updating the Committee on a further five audits which had taken place since the publication of the Annual Report.
- Any work remaining from the 2021-22 plan would be carried over to the 2022-23 plan, which was in line with normal practice.
- The Committee were updated that the Public Sector Internal Audit Standards (PSIAS) required that an External Quality Assessment (EQA) of Internal Audit is undertaken at least every five years. Brent's Internal Audit function was last subject to an EQA in December 2018, which provided a '*generally conforms*' conclusion. In accordance with the PSIAS, the next EQA would be due in 2023; however, this had been brought forward following the appointment of a new Head of Internal Audit in October 2021, as in-line with recommended practice.
- This review would be arranged through the London Audit Group (LAG), with Brent's audit function to be reviewed by Caroline Gitre, the Head of Internal Audit for the London Borough of Barnet, who it was updated was fully independent, with no actual or perceived conflicts of interest.
- All members of the Audit and Standards Advisory Committee would receive a questionnaire to fill out as part of this review.

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

- The delay to sign-off for remaining audits of 2021-22 was due to unforeseen audits coming up, with staff requiring to be taken away from other work streams in order to be able to work on this.
- If the response to the EQA outlined in the report were to be negative, action would be taken by the senior manager with oversight of the audit function in order to remedy issues identified.
- In response to a query regarding the equalities programme of work, it was noted that a permanent equalities officer had been appointed, and the Borough Plan would be approved in October if agreed by Members.
- It was asked if the survey referenced in the report would be circulated to previous members of the Committee, and it was noted that this should be the case.

It was **RESOLVED**

- 1) To note the summary of audits completed since the update provided on 7th June 2022 (Appendix 1).
- 2) To agree the External Quality Assessment Engagement Plan (Appendix 2).

10. **Draft Statement of Accounts 2021/22**

Sin-Yee Tang, Senior Finance Analyst, introduced the item. This report presented the Council's draft 2021/22 Statement of Accounts to members of the Audit & Standards Advisory Committee.

Key issues highlighted were as follows:

- It was noted that Brent had surpassed the statutory target of 30th July to publish its draft accounts, publishing at an earlier date of the 4th July. The final, audited accounts would be presented in September.
- The Committee's attention was drawn to the narrative statement, contained within appendix 1 of the report. It was noted that the DSG had an overspend of £4.6 million, which was largely down to increased levels of demand in Special Educational Needs and disability funding.
- The Council's general fund position had reached a break even, which was reported to Brent Cabinet earlier in the year.
- Within the HRA, there was an overspend of £600,000, which was due to an accounting adjustment to reflect capital spending on the Granville new homes block.
- The Committee's attention was also drawn to the balance sheet – in particular significant movements on property, plant and equipment balances, the majority of which was due to an increase in revaluation, totalling £165 million.
- The revaluation of reserves was noted to be higher than in previous years, mainly as a result of the indexation rate of specialised assets within the land and building category, as well as the effects of Covid-19 in the previous year.
- It was suggested to the Committee that more detailed financial questions be addressed to Sin-Yee Tang via email, with the questions at the Committee

focused on high-level questions. Members agreed a timeframe of 3 weeks to submit these questions to Sin-Yee Tang.

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

- It was asked if there was a general revaluation policy, and it was updated that this policy was this to be reviewed every five years.
- On the point of the revenues of the Council compared to reserves, the Committee were updated that a guidance mark that 5% of revenue should be used as general unallocated reserves and it is the responsibility of the Council's section 151 officer to assess the adequacy of the level.
- It was noted that the narrative was helpful in terms of setting the financial context. It was updated that in light of the Redman Review in the previous year, the Council were taking steps to make financial accounts easier to digest and understand for members of the public.

The Chair thanked officers for the update provided and it was **RESOLVED** that the Committee notes the draft Statement of Accounts for 2021/22 submitted to external audit.

11. Review of the Committee's Forward Plan

It was agreed to note the Committee's Forward Plan.

12. Any other urgent Business

It was noted that this would be the final meeting under the current organisational structure of the Council, and the lead officer for the Committee going forward would be the Corporate Director of Finance and Resources. The Committee were assured that this would have no effect on the safeguards of the running of the Committee. Debra Norman was thanked by Members and Officers for her work and efforts in her period overseeing the Committee and it was noted she would continue to be involved in relation to Standards issues.

The meeting closed at 7:20pm

DAVID EWART
Chair

London Borough of Brent
Action Sheet Audit & Standards Advisory Committee – Monday 1 August 2022

Agenda Item No	Item	Decision & Actions Arising
4	Minutes/Action log	<p>AGREED to approve the minutes from 7 June 22 meeting.</p> <p>ACTION:</p> <p>Regarding the Action Log of the previous meeting, Councillor Chan noted that expressions of interest had been received from Committee Members in Officers presenting an item to the Committee on the current Cost of Living Emergency.</p> <p>As a result of this proposal, it was agreed for the Chair and Vice-Chair of the Audit and Standards Advisory Committee to discuss with the relevant Scrutiny Chairs to agree the most appropriate way to bring this issue to the Committee. <i>(David Ewart/Cllr Chan)</i></p>
5	Matters Arising – Financial Dashboard presentation	<p>ACTION:</p> <p>As more data sets became available there would be an Outcome Based Review which would be a Council wide programme. It was suggested that an update was provided on this at a future meeting. <i>(Sadie East/Peter Gadsdon)</i></p>
6	Standards Report (incl Gifts & Hospitality)	<p>AGREED (as recommended) to note the report.</p> <p>ACTIONS:</p> <p>The Committee noted that it would be helpful to see where Brent's code of conduct differed to the proposals set out in the LGA</p>

London Borough of Brent – Action Sheet Audit & Standards Advisory Committee: Tuesday 7 June 2022

Agenda Item No	Item	Decision & Actions Arising
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		guidance. This annotation would be circulated to Members of the Committee. <i>(Biancia Robinson/Debra Norman)</i>
7.	External Audit Update (verbal)	AGREED to note the update
8.	Emergency Preparedness Update	AGREED (as recommended) to note the report. ACTIONS: Agreed for the report to be presented at the next meeting, due to the absence of Daryl Jooste.
9.	Internal Audit 2021-22 Annual Report – Addendum Report	AGREED (as recommended) 1) To note the summary of audits completed since the update provided on 7th June 2022 (Appendix 1). 2) To agree the External Quality Assessment Engagement Plan (Appendix 2). ACTIONS: Agreed to share the EQA survey with Members who previously served on the Committee <i>(David Ewart/Darren Armstrong)</i>

London Borough of Brent – Action Sheet Audit & Standards Advisory Committee: Tuesday 7 June 2022

Agenda Item No	Item	Decision & Actions Arising
10	Draft Statement of Accounts 2021/22	<p>AGREED (as recommended) that the Committee notes the draft Statement of Accounts for 2021/22 submitted to external audit.</p> <p>ACTION:</p> <p>It was suggested to the Committee that more detailed financial questions be addressed to Sin-Yee Tang via email, with the questions at the Committee focused on high-level questions. Members agreed a timeframe of 3 weeks to submit these questions to Sin-Yee Tang. <i>(ASAC Committee Members/Sin-Yee Tang)</i></p>
11.	Review of the Committee's Forward Plan	AGREED (as recommended) to note the report.

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	Audit and Standards Advisory Committee 29 September 2022
	Report from: Corporate Director, Governance
Standards Report (including quarterly update on Gifts & Hospitality, and mandatory training)	
Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	1) Appendix A: Gifts & Hospitality Register (Qtr 2) 2) Appendix B: Member Training Attendance
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	(1) Debra Norman, Corporate Director, Governance (ext. 1578) (2) Bianca Robinson, Senior Constitutional & Governance Lawyer (ext. 1544)

1.0 Purpose of the Report

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

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 second quarter of 2022/23 (July – Sept 2022), there have been four gifts and hospitality recorded as being received, these are set out in further detail in Appendix A, together with the details of the receiving Councillor.
- 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 Officers are pleased to report with the exception of Equalities training and Safeguarding vulnerable adults all members have completed the mandatory training including Standards parts 1& 2 and Data Protection courses.
- 3.6 The following relates to the number of Members who have not attended the mandatory training sessions. The names of the respective Cllrs are set out in Appendix B.

Mandatory all Member sessions:

- 7 Member needs to attend the Equalities training
- 2 Members need to attend the Safeguarding Vulnerable Adults Training.
- 4 Members need to attend the Corporate Parenting & Safeguarding Children

In fairness to the Cllrs, a new Equality and Diversity officer has now taken up post and will be setting a date for the training session shortly; and senior officers are to set a date to arrange 1-2-1/ training for the Safeguarding Vulnerable Adults and Corporate Parenting & Safeguarding Children Training. Officers hope to be in a position to update the Committee at its meeting on the 29.09.22 of the dates the training will take place.

- 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

Mandatory Training	Attendee requirement
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

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:

Corporate Director, Governance

Appendix A: 19 July 2022 to 31 September 2022

Councillor	Date of gift	Gift received	Value £	From
M Butt	19/07/2022	Post Service Lunch - Tony Pidgley Memorial Service at the Hutong Restaurant, The Shard	55.00	St George Berkeley Group
Mili Patel	31/07/2022	UEFA Womens Euro Final	100.00	The FA
Kelcher	31/07/2022	UEFA Womens Euro Final	100.00	The FA
Ketan Sheth	17/08/2022	A bouquet of flowers, box of Indian sweets, book & painting.	50.00	Brahma Kumaris

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Appendix B: Member training to be completed

Members	Equalities Training	Corporate Parenting	Vulnerable adults
Daniel Kennelly	to be completed		
Hannah Martin	to be completed	to be completed	
Harbi Farah	to be completed		
Jayanti Patel	to be completed		
Ketan Sheth	to be completed	to be completed	
Saqlain Choudry	to be completed		
Sonia Shah	to be completed	to be completed	to be completed
Rita Conneely	completed		to be completed
Sandra Kabir		to be completed	

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	Audit and Standards Advisory Committee
	29 September 2022
Report from: Corporate Director, Governance	
Complaints & Code of Conduct	

Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Two: 1) Appendix A – Complaints received over the last 12months 2) Appendix B - marked up copy of the Members' Code of Conduct Complaints Procedure (MCCP)
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	(1) Debra Norman, Corporate Director, Governance (ext. 1578) (2) Bianca Robinson, Senior Constitutional & Governance Lawyer (ext. 1544)

1.0 Purpose of the Report

- 1.1 This report provides an annual review of the complaints received pursuant to, and a review of the Members' Code of Conduct Complaints procedure.

2.0 Recommendations

- 2.1 That the:

- a) Audit and Standards Advisory Committee consider and note the contents of the report and note that no recommendations are being made to the Audit and Standards Committee.

3.0 Detail

Members' Code of Conduct Complaints Procedure (MCCCP)

Background

- 3.1 The Council has a duty to promote and maintain high standards of conduct by Members and Co-opted Members pursuant to section 27(1) of the Localism Act 2011. As required by section 27(2) of the Localism Act 2011, the Council has adopted a Code of Conduct (Code) dealing with the conduct that is expected of Members and Co-opted Members when they are acting in that capacity.
- 3.2 Section 28 of the Localism Act requires the Council to have arrangements under which it can investigate and make a decision on an allegation of a breach of the Code. The MCCCP complies with this statutory obligation. Any alleged breach of the Brent Code is considered in accordance with the MCCCP, which is used as guidance in the consideration and determination of complaints and reviews.
- 3.3 In accordance with:
- a) para 1.10 of the MCCCP, *"the Standards Committee will convene from time to time to review the handling of complaints, reviews and decisions made with a view to identifying trends or any improvements in this procedure and the application of it that may be desirable"*; and
 - b) annexe 1, para 1.3 of the MCCCP, the complaint Assessment Criteria are subject to *"an annual review by the Standards Committee"*. This report sets out the annual review.

Complaints

- 3.4 In terms of background, in the last 12 months, the Monitoring Officer has received complaints and made determinations regarding three councillors allegedly in breach of the Members' Code of Conduct. Of these complaints:
- a) one has been resolved at Initial Assessment Stage;
 - b) two have been resolved at Assessment Criteria Stage;
 - c) none have been upheld as a breach of the Code;
 - d) one has been subject to review request; and
 - e) none have escalated to hearing/formal investigation stage.

Attached as Appendix A is a summary of the complaints received in the last 12 months.

Overview

- 3.5 The MCCCP has a two stage assessment process. The first, **the Initial Assessment Stage**, requires an assessment of whether the alleged behaviour falls within the ambit of the Code of Conduct and in turn the Council's procedure. In particular it considers:
- a) the complaint is about a Member of the authority?

- b) the Member was in office at the time of the alleged complaint? and
- c) if proven, the complaint would disclose a breach of the Code?

If the alleged behaviour falls outside of the ambit of the Code or within one of the nine criteria set out in the procedure to be considered at the Initial Assessment Stage (see 3.2 of the MCCCCP), it will not progress to Assessment Criteria Stage, and, subject to a request for a review being received by the specified deadline, is concluded.

- 3.6 The **Assessment Criteria**, apply where the allegations appear to fall within the Code and are not excluded by the Initial Assessment Criteria. At this stage further readily available details are sought to ascertain the facts, and the member who is the subject of the allegations is provided with the opportunity to provide a written response to the complaint. This is then considered and, following consultation with the Independent Person, a determination in respect of the complaint is made in accordance with the seven options set out in the Assessment Criteria in Annex 1 of the MCCCCP. This may conclude the matter (subject to a review request), or may lead to a referral for detailed formal investigation of the complaint.

Decision Making

- 3.7 The Assessment Criteria are intended to be a guide and promote consistency in the decision-making. Consistency is also ensured as all complaints alleging breach of the Code are considered by the Monitoring Officer, (or in her absence the Deputy Monitoring Officer). This ensures a consistency of assessment and application of the criteria as the same officers are involved analysing and weighing up the allegations made in complaints. External scrutiny provided by the Independent Person involved in each complaint that reaches this stage provides double check on the thoroughness and fairness of the decision-making.
- 3.8 An advantage of Brent's MCCCCP is that it is very detailed in the procedure and guidance it provides. This is helpful for the Monitoring Officer, complainants and Members who are complained about and supports a higher degree of transparency and consistency than might arise in a less detailed high level procedure.
- 3.9 The Committee will see from Appendix A that the main finding at Initial Assessment Stage in respect of the complaints over the past 12 months is that the complaints "*do not disclose a sufficiently serious breach of the Code to merit further consideration*" and no breach of the code, following the assessment stage. The main rationale for this finding has been that no evidence has been submitted to support the allegations made and/or when considering the allegations in context, the Councillors concerned were entitled to express the views which they did, be that orally or in writing.
- 3.10 The main recurring factor in relation to escalating complaints to the Assessment Criteria Stage have been the need for further information in order to understand

the allegations, which necessitates making basic additional enquiries and seeking comment from the member concerned.

- 3.11 The Committee will be aware that the Code only permits the investigation of complaints against Members made in their “official capacity or when giving the impression [they] are acting as a member of the Council”, unless it relates to a serious criminal offence conducted in the Member's private capacity. Accordingly, any decision that purports to find a breach of the Code whilst the Member in question was acting in their private capacity, would be liable to challenge.
- 3.12 As the Committee is aware, following implementation of the Localism Act 2011, the Council has limited powers against a Member who has been found to have breached the Code. Any changes to strengthen a sanction for breach of the Code requires a change to the existing legislation. Consequently, the sanctions presently available are:
- a) censuring or reprimanding the Member
 - b) publishing a notice in respect of the findings in a local newspaper, or on the Council's website.
 - c) asking the Member to apologise
 - d) asking the Member to undergo training
 - e) recommending to Council/Cabinet that the Member be removed from an outside body
 - f) recommending to the Member's group Leader (or if independent – full Council) that they be removed from Cabinet/portfolio responsibilities
 - g) recommending to the Member's Leader (or if independent – full Council) that the Committee recommends that they be removed from a Committee.
 - h) Excluding the Member from the Council's offices or other premises, with the exception of meeting rooms necessary for attending Council and Committee meetings.

Reviews

- 3.13 Step 6 of Paragraph 3.5 of the MCCCCP provides that a “*complainant and the subject member of the complaint will ordinarily be given 10 working days from the date of notification of the decision to make a written request*” that the decision is reviewed. Of the Member complaints received no complainants have sought a review.

Changes to the MCCCCP

- 3.14 Substantive changes to the MCCCCP requires formal approval of the Audit and Standards Committee. No substantive changes are recommended as a result of this review.

4.0 Financial Implications

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

5.0 Legal Implications

5.1 The legal implications are contained within the body of this report.

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:

Corporate Director, Governance Services

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Complaints Received over the last 12 months

Resolved at Initial Assessment Stage

	Ref	Complainant (s)	Details of Complaint	Outcome	Review Requested	Review Outcome
1.	07.01.22	Members of Public	Two complaints regarding a statement made in relation to the lowering/removal of the Turkish Cypriot Flag by Waltham Forest Council.	<p>Decision under Initial Assessment Criteria:</p> <p>Complaint is not considered to disclose a sufficiently serious potential breach of the Code to merit further consideration.</p> <p>Councillors have a right to freedom of expression, that includes a right to express views which others may find objectionable.</p>	No	N/A
Resolved at Assessment Stage						
2.	28.09.21	Member of Public	Complaint regarding unexpectedly calling at the Complainant's home	<p>Decision under Assessment Criteria (upheld)</p> <p>No breach of the Code.</p> <p>It's not unheard off, and certainly is not illegal, for a Councillor to attend a</p>	Yes	No breach

				resident's home unannounced. On a practical level if a councillor is intending to do so and is not known to the resident, it is advisable to provide prior notice, but not an obligation. The Cllr was also very apologetic for any upset caused.		
3.	23.05.22	Members of an Association/Organisation	A complaint arose out of the sending/forwarding of emails and a screenshot (material).	<p>Decision under Assessment Criteria (not upheld)</p> <p>No breach of the Code.</p> <p>On the balance of probabilities, it was reasonable and not malicious for the Cllr the Cllr to forward the material to senior members of the Association/organisation</p> <p>.</p>	No	N/A



LONDON BOROUGH OF BRENT

Sept 2022

MEMBERS' CODE OF CONDUCT COMPLAINTS PROCEDURE

1 Introduction

- 1.1 It is a requirement of the Localism Act 2011 that all Councils must adopt a Code of Conduct, which deals with the conduct expected of its elected and co-opted members when they are acting in their official capacity. The Code of Conduct is also required to include appropriate provisions relating to the registration and disclosure of pecuniary and other interests.
- 1.2 Brent Council is responsible for administering its own Code of Conduct and the Council is required to have in place arrangements under which allegations can be investigated and decisions on allegations can be made.
- 1.3 Brent Council is required to appoint at least one Independent Person whose views may be sought by the Council, usually through the Monitoring Officer, or by subject members. The Council must seek the views of an Independent Person before making a decision on an allegation that has been referred for investigation. There is no right for the complainant to seek the views of the Independent Person and no such contact will be tolerated. We have appointed a small number of Independent Persons.
- 1.4 The Independent Persons do not represent and nor are they advisors to the subject member or the Council. They must remain completely impartial and objective and they cannot take sides. Their only role is to assess complaints and form a view on them.
- 1.5 The 2011 Act provides that an allegation is *"a written allegation that a member or co-opted member of the authority has failed to comply with the authority's code of conduct"*.
- 1.6 This document sets out the procedure for submitting a complaint alleging that the Code of Conduct has been breached and the procedures that will be followed in dealing with such complaints. It also sets out the criteria for assessing a complaint and when a request may be made for the decision taken on a complaint to be reviewed.
- 1.7 All allegations will be dealt with objectively, fairly and consistently. We will also have regard to what is in the public interest and our fiduciary duty to the tax payers.
- 1.8 Within this procedure references to the "Monitoring Officer" include his or her duly appointed representative(s).
- 1.9 In this procedure the term 'subject member' means the member against whom the allegation has been made.
- 1.10 The Standards Committee will convene from time to time to review the handling of complaints, reviews and decisions made with a view to identifying trends or any improvements in this procedure and the application of it that may be desirable.

2 Submitting a complaint

- 2.1 All complaints must be submitted in writing and this includes electronic submissions. We will assist you if you have a disability that prevents you from making or makes it difficult for you to submit your complaint in writing. We can also help if English is not your first language.
- 2.2 Complainants are encouraged to use our complaints form which we can send out as a hard copy or which is available in electronic format from our web site. Further information and the complaint form are available on the [Complaints](#) page on our website. If the complaints form is not used the required information will still need to be provided in writing.
- 2.3 If a verbal complaint is made we will ask that the complaint is confirmed in writing providing all the required information. If you are unable to make a written complaint we will offer to transpose your complaint onto a complaint form with an accompanying written statement (if required) which you will then be asked to sign or otherwise indicate to our satisfaction that you wish to make a complaint in those terms. If you are unwilling to sign the documentation or otherwise indicate to our satisfaction that you wish to make a complaint in those terms we will not take any further action on the complaint unless the Monitoring Officer is satisfied that the circumstances justify a departure from this position. If you make a verbal complaint and simply decline to confirm the complaint in writing for reasons which we do not consider to be justifiable we will take no further action on the complaint.
- 2.4 Anonymous complaints will be rejected. This does not include complaints where the complainant requests confidentiality and which is dealt with further in section 7 below and on the complaint form.
- 2.5 Some complaints against a member will represent a complaint against the Council but will fall outside the scope of this procedure. If that happens the complaint will be forwarded to the relevant officer(s) in the Council and the complainant will be advised of the action taken.
- 2.6 To submit complaints electronically please use the on-line form at the link in paragraph 2.2 above or e-mail [email address]. All other submissions must be sent or delivered to:

The Monitoring Officer
Governance **Services**
Brent Civic Centre,
Engineers Way,
Wembley, Middlesex,
HA9 0FJ

3. Processing and determination of complaints

- 3.2 When a complaint is received which is within the scope of this procedure we will aim to acknowledge receipt within 3 working days.
- 3.3 The Monitoring Officer will carry out an initial assessment of whether the alleged behaviour falls within the Code of Conduct and, therefore, this procedure. This will normally be done within 10 working days. If the allegation is about a matter which falls outside of the Code of Conduct or is considered to be within one of the criteria set out below the complaint will not progress beyond this initial assessment stage.

Initial assessment criteria

- If the complaint is the same or substantially the same as a complaint previously dealt with
- If the period since the alleged behaviour is so significant that it is considered to be inequitable, unreasonable or otherwise not in the public interest to pursue
- If the complaint is trivial
- If the complaint is not considered to disclose a sufficiently serious potential breach of the Code to merit further consideration
- If the complaint discloses such a minor or technical breach of the Code that it is not in the public interest to pursue
- If the complaint is or appears to be malicious, politically motivated, tit-for-tat or otherwise submitted with an improper motive and the complaint is not considered to disclose sufficiently serious potential breaches of the Code to merit further consideration
- If the complaint is vexatious
- If the member against whom the allegation has been made has remedied or made reasonable endeavours to remedy the matter and the complaint does not disclose sufficiently serious potential breaches of the Code to merit further consideration
- If the complaint is about a person who is no longer a member of the Council and there are no overriding public interest reasons to merit further consideration

- 3.4 At this stage, if the complaint is not to progress further the Monitoring Officer will notify the complainant in writing of that fact and with the reasons. She/he will also write to the subject member with details of the complaint, the decision made and the reasons for the decision. The name of the complainant will be disclosed to the subject member unless confidentiality has been requested and the Monitoring Officer considers the request to be justified. When confidentiality has been granted that will be confirmed to the subject member along with the reasons for granting it but not so as to enable the complainant to be identified.
- 3.5 Notwithstanding paragraph 3.2, the Council will in appropriate circumstances pass to the police or Director of Public Prosecutions any allegations it receives which disclose behaviour that may constitute a criminal offence, whether under the ethical standards provisions of the Localism Act or otherwise.
- 3.6 For those complaints which are to be taken beyond the process detailed in the preceding paragraphs, the following steps will be followed. The Monitoring Officer shall seek the views of the nominated Independent Person at Steps 3, 4, 9 and 10 of the process below and the subject member may seek the views of an Independent Person at any time during this process. If considered necessary by the Monitoring Officer she/he may consult with the Chair of Standards Committee and/or any Vice Chair of Standards Committee if appointed Standards Committee to assist her/him with the consideration and determination of the complaint. She/he may do this at any time during the process. The Monitoring Officer may also consult the Leader of the Council or Group Leaders, the Chief Executive or any other officers.

Step	Action
1	The Monitoring Officer will write to the subject member with details of the complaint, including those of the complainant unless any confidentiality request has been agreed, and also the name and contact details for one of the Independent Persons who has been nominated for the complaint and who the subject member may contact to seek their views. When confidentiality has been granted that will be confirmed to the subject member along with the reasons for granting it but not so as to enable the complainant to be identified. At this stage the subject member will be given an opportunity to provide the Monitoring Officer with a written response to the complaint. Ordinarily we will ask the subject member to restrict their written comments to two sides of A4 but they will be permitted to provide copies of supporting documents. A time limit for providing a written response will be imposed. Ordinarily this period will be 10 working days.
2	The subject member will provide their written comments, with supporting documentation if relevant, notify the Monitoring Officer that they do not wish to provide a written response to the complaint or the time limit for the submission of a written response will lapse.
3	The Monitoring Officer, following consultation with the Independent Person, will consider the complaint again in the context of any written submissions and supporting documentation provided by the subject member.
4	<p>The Monitoring Officer will, following consultation with the Independent Person, determine the complaint in accordance with the Assessment Criteria set out in Annex 1 to this Procedure. The options the Monitoring Officer has are:</p> <ul style="list-style-type: none"> (i) to make no finding as to whether there has been a breach of the Code and take no further action; (ii) to make no finding as to whether there has been a breach of the Code but determine that some action other than an investigation is appropriate; (iii) to find no breach of the Code; (iv) to find a breach of the Code without an investigation but impose no sanction; (v) to find a breach of the Code without an investigation and impose a sanction; (vi) to require that the complaint be investigated to determine whether there has been a breach of the Code and the seriousness of the breach; (vii) to conclude that the circumstances of the complaint indicate that an offence under Chapter 7 of Part 1 of the Localism Act 2011 may have been committed and that the complaint ought to be investigated, by the police where appropriate, to determine whether a prosecution should be brought.

5	The outcome of the determination of the complaint will be notified in writing to the complainant and the subject member within 5 working days.
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6	<p>The complainant and the subject member will ordinarily be given 10 working days from the date of notification of the decision to make a written request to the Monitoring Officer that the decision is reviewed. In either case the person requesting the review must provide reasons to support the request for review and provide any supporting documentation that is relevant but which was not previously provided. The following limitations on review requests apply:</p> <p>(i) the complainant may only request a review where the finding is either of paragraphs (i) and (iii) in Step 4 above;</p> <p>(ii) the subject member may only request a review where the finding is either of paragraphs (iv) and (v) in Step 4 above</p>
7	<p>Following a written request for review being received within the time limit the Monitoring Officer will acknowledge the review request within 3 working days and notify the other interested parties of the review request. She/he will write to the complainant or subject member as appropriate with details of the review request. At this stage the complainant or subject member as appropriate will be given an opportunity to provide the Monitoring Officer with a written response to the review request. Ordinarily we will ask the complainant or subject member as appropriate to restrict their written comments to two sides of A4 but they will be permitted to provide copies of supporting documents. A time limit for providing a written response will be imposed.</p>
8	<p>The complainant or subject member as appropriate will provide their written comments, with supporting documentation if relevant, or notify the Monitoring Officer that they do not wish to provide a written response to the complaint or the time limit for the submission of a written response will lapse.</p>
9	<p>The Monitoring Officer, following consultation with the Independent Person, will consider the complaint again in the context of any written submissions and supporting documentation provided by the subject member at Step 2 as well as the review request and any written response to it.</p>
10	<p>The Monitoring Officer will, following consultation with the Independent Person, determine the review in accordance with the Assessment Criteria set out in Annex 1 to this Procedure. The options the Monitoring Officer has are as set out in Step 4.</p>
11	<p>The outcome of the determination of the review will be notified in writing to the complainant and the subject member within 5 working days.</p>

3.7 Steps 1 to 4 in the table in paragraph 3.5 will normally be concluded within 28 days of receipt of the complaint. If it is not possible to do this within this time the complainant and the subject member will be contacted and advised of the delay and when the Steps will be completed.

3.8 Steps 7 to 10 in the table in paragraph 3.5 will normally be concluded within 28 days of receipt of the review request. If it is not possible to do this within this time the complainant and the

subject member will be contacted and advised of the delay and when the Steps will be completed.

- 3.9 The sanctions that may be imposed where the Code is found to have been breached are set in in section 10 of Annex 2.

4 What happens following assessment or review of complaints?

- 4.1 Any action or investigation will be implemented. If other action is determined as appropriate and either party declines to comply that will be reported to the Monitoring Officer who may decide to treat the facts as a complaint for determination through the process set out in paragraph 3.5 above.
- 4.2 If potential criminal offences are identified and the complaint referred for investigation with a view to prosecution, the appropriate procedures of the police or Council will be followed so as to protect the integrity of the investigation.
- 4.3 A report setting out all the complaints and requests for reviews received and what action was taken regarding them will be forwarded to the Standards Committee on a 6 monthly basis for consideration and comment.
- 4.4 The procedures for any investigations and hearings following investigation are annexed to this document as Annex 2 and 3.

5 Complainant confidentiality

- 5.1 The subject member will, in normal circumstances, be told from the outset who has complained about them. If a complainant asks for their identity to be withheld their request will be considered by the Monitoring Officer prior to the member being notified that a complaint has been made.
- 5.2 Each request for confidentiality will be considered on its merits and in determining such a request the following will be considered:
- (i) Whether the complainant reasonably believes that they, or those connected to them, will be at risk of harm if their identity is disclosed;
 - (ii) That the complainant is reasonably concerned about the consequences to their employment, or those connected to them, if their identity is disclosed;
 - (iii) That the complainant, or somebody closely connected to them, suffers from a medical condition and there is evidence of medical risks associated with their identity being disclosed or confirmation from an appropriate medical professional that that is the case; and
 - (iv) The public interest. In some cases the public interest in proceeding with the complaint may outweigh the complainant's wish to have their identity withheld.

- 5.3 If it is not considered appropriate to grant a request for confidentiality the complainant will be offered the opportunity to withdraw the complaint rather than proceed with it but this is subject to paragraph 6.

6 Withdrawal of complaints

- 6.1 Requests to withdraw complaints will normally be granted but in considering such a request from the complainant the Monitoring Officer will consider the following factors:
- (i) Whether the public interest in taking action on the complaint outweighs the complainant's desire to withdraw it;
 - (ii) Whether the complaint is such that action can or should be taken on it without the complainant's participation; and
 - (iii) Whether there appears to be an identifiable underlying reason for the request to withdraw the complaint such as whether there is information to suggest that the complainant may have been pressured into withdrawing the complaint.
- 6.2 Even if a request to withdraw a complaint is granted, the Monitoring Officer may still refer the circumstances for assessment and investigation under the appropriate procedures if those circumstances merit such action in the opinion of the Monitoring Officer such as if they disclose potentially significant probity issues, possible criminal offences or safeguarding issues.

7 Conflicts of interest

- 7.1 If any officer has any personal or professional conflict of interest in relation to a complaint, they must have no involvement or no further involvement in dealing with that complaint other than such reasonable steps as are necessary to ensure that the complaint is dealt with by someone other than them. Any conflicts identified during the course of a matter will be managed appropriately by the Monitoring Officer.
- 7.2 An officer who has previously advised a subject member or has given advice to the complainant about the issues giving rise to a complaint must seek advice from their line manager as to whether they can properly be involved in the conduct of a related complaint. Public perception and the public interest will be considered.
- 7.3 If any Independent Person has any personal or professional conflict of interest in relation to a complaint, they must have no involvement or no further involvement in dealing with that complaint other than such reasonable steps as are necessary to ensure that the complaint is dealt with by someone other than them. Where this occurs another Independent Person will be appointed and the appropriate person(s) notified.

8 Records retention

- 8.1 Brent Council will store all records of complaints in electronic format in a secure environment on a computer network. Records will be stored in accordance with the Brent Council's records management policy and procedures. We may also choose to store hard copies of some or all documents and information.

Annex 1 to the Code of Conduct complaint Assessment and Determination Procedure

Assessment Criteria

1. Introduction

- 1.1 All complaints and reviews will be considered on their merits and according to the facts.
- 1.2 The Monitoring Officer will seek the views of the Independent Person at Steps 3, 4, 9 and 10 of the procedure set out in 3.5 of the main document.
- 1.3 These assessment criteria, which are subject to an annual review by the Standards Committee, will be used as guidance in the consideration and determination of complaints and reviews but the Monitoring Officer is entitled to depart from these criteria when they consider it appropriate to do so.
- 1.4 The assessment criteria are intended to be a guide to promote consistency. Two complaints may be about the same aspect of the Code but differ considerably in terms of the facts, how serious they are and there may be huge differences in the relevance and amount of detail regarding the complaint. For these reasons the assessment criteria can only be a guide.

2. Overriding criteria

- 2.1 These three tests will be applied during the initial assessment of a complaint:
 - Is the complaint about one or more named members of the authority?
 - Was the subject member in office at the time of the alleged conduct?
 - If proven, would the complaint disclose a breach of the Code of Conduct?
- 2.2 **No finding of whether there is a breach of the Code**
If on the facts it is not possible to determine whether there has been or may have been a breach of the Code and the alleged conduct does not merit an investigation, having regard to the public interest, this is the appropriate finding to make.
- 2.3 **No finding of whether there is a breach of the Code but action other than investigation is appropriate**
If on the facts, it is not possible to determine whether there has been or may have been a breach of the Code, the alleged conduct does not merit an investigation, having regard to the public interest, but the allegation and any response from the subject member disclose an underlying issue that action such as mediation or training on the Code or council procedures might assist with, this is the appropriate finding to make. The other action information below needs to be considered in these circumstances.
- 2.4 **Finding of no breach of the Code**
If the facts available demonstrate on the balance of probabilities that there has been no breach of the Code, this is the appropriate finding to make. If there is no breach of the Code a sanction cannot be imposed but other action such as mediation or training might still be

considered.

2.5 **Finding of a breach of the Code without an investigation**

A finding that the Code of Conduct has been breached without the need for an investigation will usually be appropriate in the following circumstances:

- It can clearly be shown that from the information that has been provided by the subject member and the complainant that a breach of the Code has occurred
- The subject member has admitted to the breach of the Code, whether or not they have offered to remedy the breach
- It can be shown that an investigation is unlikely to be able to establish any further independent relevant evidence regarding the complaint or that the cost of obtaining any further evidence would not be justified having regard to the public interest and that on the evidence supplied a breach of the Code can be shown

2.6 A breach of the Code without investigation can only be found if the complaint satisfies the first three initial tests and that it can be clearly shown, on the balance of probabilities that a breach of the Code of Conduct has occurred.

2.7 **No Further Action**

If a breach of the Code is found but it is trivial, a technical breach or otherwise of limited effect it may be appropriate to take no further action.

2.8 **Referral for other action**

A complaint may be referred for other action in the circumstances listed below. Other action may be appropriate whether a breach is found or not. However, in general, other action may be used where the complaint discloses a more general rather than a specific problem concerning the member's conduct.

Referring a matter for other action effectively closes the door on a review of the decision as the matter cannot subsequently be referred for investigation if the complainant is dissatisfied with the outcome of the other action. As such, other action should be exercised only where appropriate. If necessary the assessment of a complaint can be deferred while further information is obtained and other action is being considered. In addition, the subject member and the complainant can be contacted to see if they will accept other action as a way of resolving the complaint, such as by way of an apology.

The following should be considered in determining whether it is appropriate to refer a complaint for other action:

- Does taking further action provide an opportunity to resolve the issue and to prevent any similar issues arising in the future and promote good governance?
- Does the complaint present a potentially less serious breach of the Code than would

require the matter to be referred for investigation and is any benefit to be gained from referring the matter for investigation?

- Is the subject member a member who appears to have a poor understanding of the Code and relevant procedures?
- Is the council suffering from a widespread breakdown in internal relationships and trust where a course of action other than an investigation of a complaint may be more appropriate and beneficial to the council?

2.9 **Referral for Investigation**

A complaint should usually be referred for investigation in the following circumstances:

- The complaint has passed all three of the initial tests
- The subject member has denied the allegations but the information presented indicates that there may be a breach of the Code
- On the information provided the potential breach of the Code of Conduct is sufficiently serious that an investigation should be undertaken to discount or substantiate the complaint and to determine what sanction, if any, is appropriate

2.10 **Potential offences under the Localism Act 2011**

If it is considered that the allegation concerned may disclose an offence under the Localism Act it should be referred to the police or other appropriate person(s) for further consideration as to whether there should be an investigation with a view to prosecution. No prosecution can be brought without the consent of the Director of Public Prosecutions.

If it transpires that no offence was committed, whether following trial or otherwise, the complaint ought to be reintroduced to this procedure for determination of any breach of the code and any appropriate sanction.

Annex 2

How is the investigation conducted?

1. Where, the view of the Monitoring Officer is that a complaint merits formal investigation, the Monitoring Officer will appoint an investigating officer. The timescale for investigation will normally take no more than 12 weeks to complete.
2. The investigating officer will contact the complainant and the member against whom a complaint has been made and undertake such investigation as is appropriate in all the circumstances within the parameters of the complaint that has been made. Where during the course of an investigation new matters arise, the Investigating Officer shall refer those matters back to the Monitoring Officer for a decision on how those matters should be dealt with under these procedures.
3. At the end of the investigation, the investigating officer will produce a draft report and will seek comments and views on the draft report from the member against whom the complaint has been made and, except in exceptional circumstances, the complainant. If a draft report is not sent to the complainant for comment an explanation must be provided in the report.
4. Having received and taken account of any comments which have been made, the Investigating Officer will send a copy of the final report to the Monitoring Officer.
5. If at any time the investigation is frustrated, for example, if significant witnesses are not available for interview, the Monitoring Officer following consultation with the Independent Person can decide what action to take, including terminating the investigation.
6. What happens if the Investigating Officer concludes that there is no evidence of a failure to comply with the Code of Conduct?
 - The Standards Committee will review the Investigating Officer's report and if, following consultation with the Independent Person, it accepts the Investigating Officer's conclusion, the Standards Committee will inform the complainant and the member concerned that it is satisfied that no further action is required. A copy of the Investigating Officer's final report will be given to the complainant and the member concerned. Members of the Standards Committee will be advised that the report relates to an individual and will reveal their identity.
 - If the Standards Committee following consultation with the Independent Person is not satisfied that the investigation has been conducted properly, it may ask the investigating officer to reconsider his/her report.
 - If the Standards Committee following consultation with the Independent Person wishes, notwithstanding the views of the investigating officer, it may refer the matter for hearing.
7. What happens if the investigating officer concludes that there is evidence of a failure to comply with the Code of Conduct?
 - (i) The Standards Committee will review the investigating officer's report and following consultation with the Independent Person, will either (a) direct local resolution or (b) refer the matter to Standards Committee for a hearing

(ii) Local Resolution

The Standards Committee, following consultation with the Independent Person may consider that the matter can reasonably be resolved without the need for a hearing. In such a case the Standards Committee may direct such fair resolution as it considers helps to ensure higher standards of conduct for the future. Such resolution may include the member accepting that his/her conduct was unacceptable and offering an apology and/or other remedial action by the authority. If the member complies with the suggested resolution, the Monitoring Officer will report the matter to the Standards Committee for information but will take no further action. If the local resolution recommended by the Standards Committee is not complied with, the Monitoring Officer will refer the matter to the Standards Committee to determine whether there should be a hearing.

(iii) Standards Committee hearing

Meetings of the Standards Committee will be open to the press and public unless confidential or exempt information under Part VA Local Government Act 1972 is likely to be disclosed. The committee will go into private session if it resolves to do so.

If the Standards Committee decides that the matter will proceed to hearing, paragraphs 8 to 11 will apply:

8 Pre Hearing Process

8.1 Prior to a hearing, an officer from the Council's Executive & Member Services team will write to the member subject to the complaint proposing a date for the hearing before the Standards Committee.

8.2. Legal Services will provide a copy of this procedure note to the member subject to the complaint and request a written response from the member within a set time in relation to whether the member:-

- Wants to be represented at the hearing by a solicitor, barrister or any other person and the identity of that person
- Disagrees with any of the findings of fact in the investigation report and the reasons for it
- Considers he or she has breached the Code of Conduct and, if not, why
- Whether if there is found to be a breach there is anything he or she would like to be taken into account by the committee when it considers whether a sanction should be imposed and what that sanction might be
- Wants to give evidence to the Standards Committee either verbally or in writing
- Wants to call relevant witnesses to give evidence to the hearing and to provide details of the witnesses
- Wants any part of the hearing to be held in private and reasons for the request
- Wants any part of the investigation report or other relevant documents to be withheld from the public and reasons for the request
- Has any special access requirements e.g. interpreter, special print (or the Member'

witness(es) or representative requires such)

- Can attend the hearing

8.3 The member's response will be referred to the Monitoring Officer to comment in order to ensure that all parties are clear about the remaining factual disputes and can deal with these issues at the hearing. The Monitoring Officer will also ascertain from the investigating officer whether the complainant will be giving evidence at the hearing and whether the investigating officer will be calling any witnesses to give evidence.

8.4 The Monitoring Officer will prepare a report for the hearing which will:

- Summarise the allegation
- Outline the main facts of the case which are agreed
- Outline the main facts which are not agreed
- Indicate whether the member and the investigating officer will be present at the hearing
- Indicated the witnesses, if any, who will be asked to give evidence
- Include the Investigating Officer's report
- Include the views of the Independent Person

9 The Hearing

9.1 The hearing is before the Standards Committee and the Independent Person will be in attendance to provide his/her views before a decision is made.

9.2 The procedure for local hearings is attached at Annex 3.

9.3 The meeting of the Standards Committee will be open to the press and public unless confidential or exempt information under Part VA Local Government Act 1972 is likely to be disclosed. The Committee will go into private session if it resolves to do so.

9.4 The Standards Committee will decide on the balance of probabilities whether the member is in breach of the Code of Conduct. The Standards Committee must seek the views of the independent person before making a decision on the allegation.

9.5 The Standards Committee can determine the number of witnesses and the way in which witnesses can be questioned.

9.6 If the member fails to attend the hearing, the Standards Committee can decide whether to proceed in the member's absence and make a determination or whether to adjourn the hearing to a later date.

9.7 If the Standards Committee concludes that the member did fail to comply with the Code of Conduct, the Committee will then consider what action, if any, the Committee should take. In doing this, the Committee will give the member the opportunity to make representations to the Committee and will consult the Independent Person.

10. **What action/sanctions can the Standards Committee take where a member has failed**

to comply with the Code of Conduct?

- 10.1 The Council has delegated to the Standards Committee such of its powers to take action in respect of individual members as may be necessary to promote and maintain high standards of conduct.

Accordingly the sanctions available to the Standards Committee are:

- Censure or reprimand the member
- Publish in a local newspaper its findings in respect of the member's conduct
- Report its findings to Council for information
- Recommend that the member apologises
- Recommend that the member undertakes training
- Recommend to the member's Group Leader (or in the case of ungrouped members recommend to Council or to committees) that the member be removed from any or all committees of the council
- Recommend to the Leader that the member be removed from the Cabinet or removed from particular portfolio responsibilities
- Recommend to Council that the member be replaced in any Council appointed roles
- Instruct the Monitoring Officer to arrange training for the member
- Recommend to Council removal from all outside appointments to which the member has been appointed or nominated by authority
- Withdraw facilities provided to the member by the Council
- Exclude the member from the Council's offices or other premises with the exception of meeting rooms as necessary for attending council and committee meetings.

11 What happens at the end of hearing?

- 11.1 At the end of the hearing the Chair of the Standards Committee will state the decision of the Committee and any actions which the Committee resolves to take.
- 11.2 The decision taken by the Standards Committee will be recorded in accordance with ordinary committee rules.

12 Appeals

- 12.1 There is no right of appeal for the complainant or the member against a decision of the Monitoring Officer or the Standards Committee.

Annex 3

Procedure for Hearings before the Standards Committee

1 Introduction

2 Chair of the Standards Committee outlines the hearing procedure

- 2.1 The Chair can depart from the procedure outlined below where he/she considers it expedient to do so in order to secure the fair consideration of the matter.


3 Findings of Fact

- 3.1 The Committee should consider where there are any significant disagreements about the facts contained in the investigating officer's report.
- 3.2 If there is no disagreement about the facts the committee can move on to the next stage of the hearing (go to paragraph 9)
- 3.3 Where there is a disagreement the investigating officer will be invited to make representations to support the findings of fact and with the committee's permission, call witnesses to give evidence.
- 3.4 The member, against whom the complaint has been made, will be given the opportunity to challenge the evidence put forward by any witness called by the investigating officer by asking the witness questions.
- 3.5 The member will then be given the opportunity to make representations and with the committee's permission, call any witnesses to give evidence.
- 3.6 The investigating officer will be given the opportunity to challenge the evidence put forward by any witness called by the member to give evidence.
- 3.7 At any time, the committee and independent person may question any of the people involved or any witnesses. The independent person may also give an opinion.
- 3.8 The Committee will usually consider the representations and evidence in private.
- 3.9 The committee will be advised by the Monitoring Officer, in private if necessary, at any time during the hearing or while they are considering the outcome.
- 3.10 Once the committee has made its decision, the Chair will announce the committee's finding of fact to the meeting.

4 Did the member fail to comply with the Code of Conduct?

- 4.1 The committee should then consider whether based on the facts it has found, the member has failed to comply with the Code.

- 4.2 The member will be invited to make representations on the matter.
- 4.3 The investigating officer will be invited to make representations.
- 4.4 The independent person will be invited to give an opinion.
- 4.5 The committee may, at any time, question the member, investigating officer or independent person on any point raised.
- 4.6 The member will be invited to make any final relevant points
- 4.7 The committee will usually consider the representations in private, with the attendance of and advice from the Monitoring Officer.
- 4.8 Once the committee has made its decision, the Chair will announce the committee's decision to the meeting as to whether the member has failed to comply with the Code.
- 5 If there is a finding that the member has not failed to comply with the Code of Conduct**
 - 5.1 Where the committee decides that the member has not failed to comply with the Code, the committee can consider whether it wishes to make any recommendations.
- 6 If there is a finding that the member has failed to comply with the Code of Conduct**
 - 6.1 If the committee decided that the member has failed to comply with the Code, it will consider representations from the member, investigating officer and independent person as to:
 - Whether the committee should apply a sanction
 - What form any sanction should take
- 7** The committee may question the investigating officer, member and independent person and take legal advice, to make sure they have the information they need in order to make an informed decision.
- 8** The committee will consider in private with the attendance of and advice from the Monitoring Officer whether to impose a sanction and if, so what sanction it should be
- 9** The Chair will announce the decision to the meeting.
- 10** The committee will also consider whether it should make any recommendations with a view to promoting high standards of conduct
- 11 Committee decision**
 - 11.1 The decision taken by the Standards Committee will be recorded in accordance with ordinary committee rules.

 Brent	Audit and Standards Advisory Committee 29 September 2022
	Report from the Chair of i4B Holdings Ltd
Report on i4B Holdings Ltd	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	1. Company Risk Register 2. Audit Findings report
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Sadie East Operational Director of Transformation Sadie.East@brent.gov.uk Tel: 020 8937 1507

1.0. Purpose of the Report

- 1.1. This report provides the Audit and Standards Advisory Committee (The Committee, ASAC) with an update on i4B Holdings Ltd.'s (i4B; The Company) draft accounts, recent performance, housing companies' development strategy, risk register, and recent audits.

2.0. Recommendation(s)

- 2.1. The ASAC is asked to note the content of the report.

3.0. Background

- 3.1. In November 2016, Cabinet agreed to establish its wholly owned investment company, i4B Holdings Ltd. The Company was set up with the purpose of acquiring, letting, and managing a portfolio of affordable, good quality PRS properties. Properties would be let to homeless families at Local Housing

Allowance (LHA) levels. This would enable the Council to either prevent or discharge its homelessness duty and therefore reduce TA costs.

- 3.2. i4B's Board is made up of an independent Chair, two Council corporate directors, one councillor and one independent non-executive director. The Board meets on a monthly basis.
- 3.3. The Council is the sole Shareholder of i4B. i4B meets with the Shareholder twice a year, as well as reporting to the Audit and Standards Advisory Committee every six months. In addition, Cabinet as representative of the Shareholder is asked to agree the company's business plan each year.
- 3.4. i4B has a Service Level Agreement with Brent Housing Management to carry out housing management services for the majority of its stock. The company also has a contract with Mears to provide housing management services for its stock in the Home Counties.
- 3.5. i4B's 2022/23 business plan was agreed by the Shareholder in March 2022. The business plan incorporated the following as the medium- to long-term objectives for Brent Council's housing companies, i4B and First Wave Housing (FWH):
 - Increasing the supply of affordable housing in the borough
 - Running a viable business;
 - Delivering safe and sustainable homes; and
 - Providing a consistently good housing service.

4.0. Benefits of i4B

4.1. Social Benefits

- 4.1.1. As of August 2022, i4B has housed 386 families and 905 children. The majority of these families were previously housed in stage one TA. The number of families housed is higher than i4B's PRS portfolio due to some properties being re-let.

Table 1 – Breakdown of families accommodated by i4B as of August 2022

Previous Accommodation	no. of families	no. of children
Direct to i4B	94	201
Women's Refuge	2	15
TA Stage one – B&B	254	580
TA Stage two – Leased	36	109
Total	386	905

4.1.2. All of the Company's private rented homes comply with a good standard of quality and management. Properties are refurbished to a high standard. i4B guarantees households moving into the PRS properties that they will be well maintained, safe, and secure. This compares favourably with market PRS accommodation which is generally of a lower standard and less secure. Also, with i4B as their landlord, tenants are safe from practices such as revenge evictions.

4.1.3. In addition, i4B took ownership of its 153-unit key worker block in Wembley Park, the Lexington Building, in February 2021. As of September 2022, 147 of the units have been let to public sector key workers. The pace of lets has been faster than business plan assumptions. A good rate of tenants (31 of 34) whose initial 12-month tenancies have expired have made the decision to extend their tenancies.

4.2. *Financial Benefits*

4.2.1. The Council receives financial benefits from i4B, mainly through reducing the use of temporary accommodation. i4B brings a gross annual benefit of £1.784 million to the Council. This saving will increase as purchases increase.

4.2.2. The Council has also received the following one-off financial benefits:

- PRS phase one loan: loan arrangement fee of £872k and non-utilisation charge of £330k
- PRS phase two loan: loan arrangement fee of £884k and non-utilisation charge of £408k

5.0. **2021-22 Draft Accounts**

5.1. i4B's draft 2021-22 accounts outturn position is set out in the table below. The Board is due to approve the final accounts in September. This table compares the 2021/22 performance to 2020/21. Explanations for the key variations are set out in the following paragraphs.

Statement of comprehensive income for year ended 31st March 2022

	<i>Note</i>	2021/22	2020/21
		£000	£000
Turnover	5	6,663	4,523
Cost of sales	6	(314)	(280)
Gross profit(loss)		6,349	4,243
Administrative expenses	7,8,9	(1,832)	(1,615)
Depreciation		(526)	-
Surplus (Loss) on revaluation	12	2,316	(2,451)
Operating Profit		6,307	177
Interest payable and similar charges	10	(3,967)	(3,699)
Profit (Loss) on ordinary activities		2,340	(3,522)
Tax on Profit (Loss) on ordinary activities	11	(442)	2,020
Profit (Loss) on ordinary activities after taxation		1,898	(1,502)
Unrealised Gain (Loss) on Property Plant and Equipment	12	(175)	13,884
Deferred Tax charge	11	(658)	(2,638)
Total Comprehensive Income for the year		1,065	9,744

5.2. Income

5.2.1. Income has increased from £4.523m in 2020/21 to £6.663m in 2021/22 due to the acquisition of 51 more properties and the letting of the units in the key worker block during the 2021/22 financial year.

5.3. Administrative Expenses

5.3.1. Expenses increased from £1.615m to £1.832m due to the increase in properties under management.

5.4. Depreciation

5.4.1. Depreciation is not charged on investment properties but is charged on the key worker block. Depreciation of £0.526m was charged for the first time in the 2021/22 financial year.

5.5. Revaluations

5.5.1. There was a revaluation loss of £2.451m in 2020/21 as historic refurbishment costs that have not resulted in an increase in property asset values were written off. In 2021/22 there was a revaluation gain of £2.316m as property prices increased in the 2021/22 financial year.

5.6. Interest

5.6.1. Interest and financing costs increased from £3.699m to £3.697m reflecting the additional interest payable on borrowing for property acquisitions during the year. During the completion of the final accounts an undercharge was identified in the sums that the Council has charged i4B in its interest mark up on loans. The value of the correction is currently being identified but is estimated at £0.5m over the 5 years from 2017/18 to 2021/22.

5.7. Tax

5.7.1. In 2020/21 the company recorded a tax credit of £2.020m which represented the loss on deferred tax due on i4B's property assets as they were worth less than the book value originally paid for them. The book value is the purchase price plus refurbishment costs plus stamp duty payable at the point of purchase. In 2021/22 the increase in property values and i4B generating a taxable surplus for the first year resulted in a tax charge of £0.442m.

5.8. Cashflow statement

5.8.1. The cashflow statement sets out the movement in the cash position from the 1st of April 2021 to the 31st of March 2022. The cash position for i4B is broadly stable with cash balances reducing from £2.186m to £2.138m at the end of the financial year.

Statement of cash flows for the year ended 31st of March 2022

	Notes	2021/22 £000	2020/21 £000
Cash flows from operating activities			
Profit (Loss) for the year	SOCI	1,897	(1,502)
Adjustments for:			
(Surplus) deficit on investment properties revaluation	11	(2,316)	2,451
Depreciation on tangible fixed assets		526	-
Interest expense	10	3,967	3,699
Current tax	12	442	(2,020)
(Increase) / Decrease in debtors	13	(2,332)	325
Increase / (decrease) in creditors	15	1,520	(569)
Tax Paid		(53)	0
Net cash from operating activities		3,651	2,384
Cash flows from investment activities			
Acquisition of investment properties	11	(20,094)	(16,860)
Acquisition of Property Plant and Equipment	11	-	(3,750)
Net Cash flows from investment activities		(20,094)	(20,610)
Cash flows from financing activities			
Interest paid	10	(3,699)	(2,215)
Capital Loan borrowing for acquisition of properties	15	16,075	18,649
Proceeds from issue of ordinary shares	20	4,019	2,414
Net cash used in financing activities		16,395	18,848
Net (decrease)increase in cash and cash equivalents		(48)	622
Cash and cash equivalents at beginning of year		2,186	1,564
Cash and cash equivalents at end of year	17	2,138	2,186

5.9. *Statement of Financial Position*

5.9.1. The statement of financial position as at the 31st of March 2022 is set out below. Explanations for the key variations are included below.

Statement of financial position at 31st March 2022

	<i>Notes</i>	2021/22 £000	2020/21 £000
Fixed assets			
Investment Properties	12	127,490	105,080
Property Plant and Equipment	12	51,944	52,646
Assets under construction	12	-	-
Total fixed assets		179,434	157,726
Current assets			
Debtors	13	3,350	922
Cash at bank and in hand	14	2,138	2,186
Total current assets		5,488	3,108
Creditors: amounts falling due within one year	15	(7,242)	(4,977)
Net current assets		(1,755)	(1,869)
Total assets less current liabilities		177,680	155,857
Provision for deferred tax	11	(1,315)	(650)
Creditors: amounts falling due after more than one year	16	(142,076)	(126,001)
Net assets		34,289	29,206
Capital and reserves			
Retained earnings	SOCIE	(18,100)	(17,024)
Revaluation Reserve	SOCIE	16,024	13,884
Equity Shares	SOCIE	36,365	32,346
Total Capital and Reserves		34,289	29,206

5.10. *Fixed Assets*

5.10.1. The value of property fixed assets increased from £155.857m to £177.680m reflecting new acquisitions in the year and an uplift in property values.

5.11. *Debtors and Creditors*

5.11.1. Provisions for deferred capital gains tax on property assets increased from £0.65m to £1.315m. The main reason was a planned increase in the corporation tax rate from the 1st of April 2023. The government is currently considering reversing this increase.

5.12. *Provisions*

5.12.1. Debtors and creditors have both increased. These are mainly sums due to or from the Council and were outstanding pending the introduction of

an intercompany billing system.

5.13. *Creditors falling due more than one year*

- 5.13.1. This represents sums that i4B has borrowed from the Council. Borrowing increased from £126.001m to £142.076m due to additional borrowing to fund property acquisitions.

5.14. *Capital And Reserves*

- 5.14.1. Capital and Reserves increased from £29.206m to £34.289m reflecting the uplift in asset values and the injection on equity into the company by the Council in accordance with its funding agreement. New purchases by the Council are funded by 80% borrowing and a 20% equity investment in the company by the Council.

5.15. *Summary*

- 5.15.1. i4B made an operating surplus for the first time in 2021/22. The operating surplus combined with an increase in property asset values resulted in an increase in capital and reserves of £5.083m. This increase will be reduced by the value of the interest correction to be charged to the accounts.

6.0. Update on Operational Performance

- 6.1. Performance measurement for i4B is based on acquisitions, conveyancing of properties, and on the housing management of its two contractors, Mears and Brent Housing Management. Performance is reported each month to the i4B Board, and is reported on at the company's six-monthly meetings with the Council as Shareholder.

Table 2 – Operational Performance

Indicator	Target	Performance at December 2021	Performance at June 2022
Number of units	378 by April 2022	PRS: 354 Key Worker: 153	PRS: 383 Key Worker: 153
Average cost per property	£363,000	£366,778	£370,319
Net yield of whole portfolio	1.22%	1.30%	1.31%
Net yield of year to date purchases	1.22%	1.58%	1.54%
Instruction to Legal to Purchase	120 days	132 days	144 days
Minor void re-let times	35 days	19 days	150 days
Major void re-let times	72 days	151 days	141 days
Rent collection	98.50%	88.5%	91.2%
Landlord Gas safety Record	100%	BHM – 99.57% Mears – 92.42%	BHM – 99.27% Mears – 98.44%

6.1.1. i4B has set a target of acquiring 48 properties in its 2022-23 Business Plan. However, recent higher global inflation rates and ensuing increases in interest rates are challenging this ambition, as all property acquisitions must meet specific financial criteria. This will be monitored closely during the year.

6.1.2. Void times remain out of target, and this continues to be a principal area of concern for i4B. An action plan agreed by the i4B Board in March 2022 is currently being implemented by BHM, with an update due to the October Board meeting. This includes closer reviews of void specifications and categorisation, more robust case management and contracting, and the implementation of pre-termination visits. Voids will continue to be closely monitored by officers and at Board level as a priority for 2022-23, and early improvements in void times and costs have been seen in the first months of the financial year.

7.0. Development Strategy Update

7.1. The Housing Companies Development Strategy was agreed by Cabinet in March 2022. The strategy outlines actions the Company will carry out to determine whether future developments by the housing companies can deliver accommodation most in demand by the Council, whilst also being technically feasible and financially viable.

7.2. i4B's ongoing programme of property purchases has been impacted by recent increases in interest rates, reducing the number of properties on the market

that meet the company's financial viability criteria for acquisitions (properties must: be able to repay loan debt within 50 years; start repaying debt by the tenth year after purchase; and make a positive cash flow from the second year after purchase). In i4B's previous loan agreement with the Council allowed borrowing at the 30 year Public Works Loan Board (PWLb) rate. As a result of rising interest rates, the Council's Cabinet has agreed to revise its loan agreement with i4B to allow borrowing within all tenures provided by the PWLB, including the 50 year rate. This will increase the amount i4B is able to spend on properties. Once i4B's loan agreement with the Council has been formally varied, loan drawdowns will be able to occur at tenures up to and including the 50 year PWLB rate.

- 7.3. In addition, a pilot has commenced to review the feasibility of i4B purchasing more properties that are suitable for adaptation, as the Council has a need for a greater number of these properties. This includes properties that are either ground floor, level access, lifted, or larger houses suitable for adaptation. This pilot will help to understand the level of additional subsidy which would be required to accelerate the purchase of adaptable properties.

8.0. Risk Update

- 8.1. The i4B risk register is included in Appendix 1, and was last presented to the i4B Board in July 2022. The main risks the Company faces are detailed below:

- Tenant non-payment of rent increases due to unaffordability of rent.
- High void rent loss due to long void turnaround times.
- High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- A lack of affordable financing options means i4B cannot fund acquisitions.
- Poor data quality on asset management systems means compliance with H&S standards cannot be effectively monitored, resulting in i4B being non-compliant with its statutory obligations.
- Poor contractor performance and information control results in i4B properties being non-compliant with statutory Health and Safety objectives.

- 8.2. The Company's risk register is formally reviewed quarterly. Throughout the risk register business plan assumption and mitigations are updated.

- 8.3. In recent months the wider economic context has emerged as a heightened risk for the Company. At the current time there is considerable uncertainty around the prospects for a sustained period high inflation and the consequences for interest rates, housing prices and rental affordability for tenants. The interaction of these factors has a potentially profound impact on the viability of the Company's acquisition strategy and is being closely

monitored and modelled by the Board.

8.4. In addition, the Company's potential risk to the Council is recorded on the Resident Services directorate's strategic risk register under the following risk:

- Issues with the operations or governance of the Council's wholly owned housing companies, i4B Holdings Ltd and First Wave Housing Ltd, lead to the non-achievement of the companies' strategic objectives, bringing financial and/or reputational damage to the Council.

9.0. Audit Update – Health and Safety Compliance Audit

9.1. i4B recently commissioned an audit into its health and safety compliance controls, managed primarily through its Service Level Agreement with Brent Housing Management. The audit resulted in six high-risk findings and one medium-risk finding.

9.2. A management action plan was agreed in response to the audit and actions are being progressed to further improve the management of compliance information. i4B officers have carried out a full review into the compliance of all i4B properties with all applicable health and safety elements at both an individual dwelling and block level.

9.3. A monitoring tracker has been produced that tracks all compliance elements for all i4B properties and blocks. All compliance certification is being located and saved in a central place. i4B has also initiated increased clienting of the compliance certification process to provide further assurance. This includes regular monitoring of all compliance areas, weekly meetings with the Head of Housing Property Services, and escalation of issues in areas where a lack of progress has been made and where non-compliance is an ongoing issue.

9.4. As a longer-term approach to the monitoring and reporting of compliance, BHM have now procured the True Compliance system. True Compliance will allow BHM to manage all areas of compliance on one system including storage of certification. The system will also remove the need for staff to manually process or check certificates to ensure they are valid. True Compliance provides user friendly dashboards that will allow staff and managers to easily access live compliance information. The system has been reviewed and approved by the relevant internal technical boards, and the contract has now been signed. Initial meetings between BHM and True Compliance have taken place. The first area of compliance, gas safety, is due to go live on the system in September 2022; other areas will follow over the coming months.

9.5. The management action plan is being regularly monitored by the i4B Board. A follow-up to the audit will take place in the third quarter of 2022-23, with

results to be presented to the i4B Board in Q4.

- 9.6. A summary of the audit recommendations, agreed management actions and progress is below:

Recommendation	Action	Action update
<p>Management should:</p> <p>a) Conduct more substantial and regular checks on the compliance status of all i4B properties. Information should be provided by the relevant health and safety subcontractors where relevant. i4B should obtain assurances from BHM that it:</p> <ul style="list-style-type: none"> • Is liaising with health and safety subcontractors to provide the most recent compliance certificates/ surveys, which should then be uploaded to the relevant systems. • Has access to the relevant systems or the opportunity to conduct periodic spot-check audits on the compliance status of properties within each system. These audits should be conducted on a regular basis so that any issues can be dealt with promptly. <p>b) Consider deploying a central compliance system to ensure that all health and safety compliance data for all properties is held on a single database.</p>	<p>BHM are in the process of purchasing and implementing a central compliance system. This system will ensure all health and safety compliance information for all properties is in a central place and documents are easily retrieved. i4B will monitor the implementation of the system and ensure BHM implement the system as per the deadlines agreed</p>	<p>The contract with True Compliance has now been signed; i4B representatives will attend the implementation meeting</p>
	<p>Prior to the introduction of the compliance system, i4B will implement a robust monitoring process/system to ensure all i4B properties are compliant with all relevant H&S areas. Where areas of non-compliance are identified i4B will ensure BHM action these. This will involve i4B having access to relevant compliance systems</p>	<p>The monitoring system is in place. i4B officers have access to all relevant compliance systems and regular checks are carried out against the i4B asset list. Where issues are identified, these are raised with BHM and monitored</p>
	<p>i4B will carry out bimonthly audits and spot checks of BHM and contractor data to ensure records are accurate and match up with the central asset list. Audits will also ensure relevant certification is obtained for all properties. This will involve i4B having access to relevant compliance systems</p>	<p>Regular reviews of data on the gas safety system, asbestos system and electrical tracker are ongoing</p>

<p>Management should:</p> <p>a) Receive assurances that BHM are obtaining data on the overall compliance status for each health and safety element by property on a regular basis and are sharing this with i4B to ensure there is oversight of the overall compliance status across all properties.</p> <p>b) Where there are ongoing gaps identified (for instance communal electrical, emergency lighting, and communal gas compliance), obtain assurances that BHM are obtaining this information so that this data can be tracked on an ongoing basis to provide assurance of compliance status to i4B.</p> <p>c) Review the compliance KPI to determine whether this is achievable and obtain assurances that BHM is using this data for more accurate reporting against the KPI.</p> <p>d) Confirm that BHM is maintaining minutes of the monthly contractor meetings so that key actions, action owners and timelines can be agreed and follow-up formally.</p>	<p>i4B will review the compliance KPI and ensure that the information BHM report on this KPI is accurate. i4B will ensure information on the compliance status of all key elements of health and safety is reported to Board</p>	<p>Gas safety reporting is checked by i4B for accuracy. Other compliance reporting will be introduced following the introduction True Compliance. In the meantime, i4B has put a monitoring system in place that tracks all areas of compliance, and reports to the Board on this on a monthly basis.</p>
	<p>i4B will request copies of minutes and actions of BHM meetings with compliance sub-contractors to ensure contract management arrangements are robust</p>	<p>Minutes are sent to i4B officers</p>
<p>Management should:</p> <p>a) Obtain assurances that the BHM Compliance team are obtaining copies of VIF and are saving these centrally and distributing them to the relevant health and safety subcontractors in a timely manner so that systems are updated, and new properties are added to the relevant monitoring/remedial works schedules without delay.</p> <p>b) Receive assurances from BHM that complete listings of properties include the current health and safety compliance status for each property.</p> <p>c) Prior to the implementation of a new central compliance system</p>	<p>i4B will carry out a review with BHM of the void process and asset set up process to ensure that during the void period all relevant compliance systems and contractors are updated with information on new acquisitions</p>	<p>All recent purchases and voids are reviewed. Issues with compliance certification being saved on the CRM system are being picked up with BHM</p>

<p>covering all aspects of FLAGE, confirm that BHM are receiving compliance data for i4B properties from all health and safety subcontractors monthly and conducting regular reconciliations between the asset listing maintained by health and safety subcontractors and the asset listing maintained within the Northgate system to ensure the asset records held are aligned. Any discrepancies should be identified and corrected.</p>	<p>Conduct bi-monthly reconciliations between the asset lists maintained by health and safety subcontractors and the asset listing maintained within the Northgate system to ensure the asset records held are aligned and accurate</p>	<p>Regular reviews of data on the gas safety system, asbestos system and electrical tracker are ongoing</p>
<p>Management should: a) Report to the Board periodically on the compliance status of all key elements of health and safety. b) Once this data can be obtained, ensure it is reconciled for accuracy and then shared with the Boards one week in advance of Board meetings with the other Board papers.</p>	<p>Prior to the implementation of the new compliance system, i4B will ensure that BHM report to the Board periodically on the compliance status of all key elements of health and safety</p>	<p>Gas safety reporting is checked by i4B for accuracy. Other compliance reporting will be introduced following the introduction True Compliance. In the meantime, i4B has put a monitoring system in place that tracks all areas of compliance, and reports to the Board on this on a monthly basis.</p>
	<p>Carry out audits of information reported to the Board to ensure that it is accurate. Where issues are identified, i4B will ensure BHM rectify issues</p>	<p>Gas safety reporting is checked by i4B for accuracy. Other compliance reporting will be introduced following the introduction True Compliance In the meantime, i4B has put a monitoring system in place that tracks all areas of compliance, and reports to the Board on this on a monthly basis.</p>

<p>Management should:</p> <p>a) Obtain assurances that BHM are updating the status of remedial actions on an ongoing basis on the relevant FLAGE management information systems.</p> <p>b) Where it is not possible to update this information directly on the system, receive assurances that BHM are maintaining and updating trackers, so that the status of remedial works is tracked on an ongoing basis.</p> <p>c) Instruct BHM to document a process of how remedial actions will be monitored to completion including the details of works required, and the teams/contractor responsible, and the target deadline for completion. This will inform a consistency in the allocation of the works.</p> <p>d) Agree with the Board how remedial actions will be communicated and discussed across the multiple teams involved. This could include a specific agenda item at regular meetings between BHM and health and safety subcontractors to cover reporting on the status of remedial actions against the programme/schedule of works and any issues arising.</p> <p>e) Obtain assurances that BHM are generating template reports on a monthly basis to monitor the number of overdue remedial actions present from compliance areas, number completed, outstanding remedial actions and those that have surpassed their deadline. Receive assurances that BHM are discussing these at regular meetings with health and safety subcontractors and reported to Board monthly.</p>	<p>As part of the BHM Action Plan, BHM will introduce True Compliance. This system will track remedial works. i4B will ensure that BHM introduce the system and that the system for tracking remedial works is process mapped</p>	<p>The contract with True Compliance has now been signed; i4B representatives will attend the implementation meeting</p>
	<p>Prior to the introduction of True Compliance, i4B will request access to remedial works trackers to ensure remedial works are being carried out to timescale. Where works are not carried out issues will be escalated</p>	<p>Remedial works trackers are shared with i4B. As with other compliance areas, these are reviewed and any queries are raised with BHM</p>
	<p>On a bi-monthly basis, i4B will also carry out spot checks and inspections of compliance certification to ensure BHM have recorded and actioned remedial works</p>	<p>Remedial works trackers are shared with i4B. As with other compliance areas, these are reviewed and any queries are raised with BHM</p>
<p>Management should:</p> <p>a) Obtain assurances that BHM is receiving compliance information from third-party freeholders in a timely manner.</p> <p>b) Agree a process for BHM to monitor third-party freeholders' compliance to health and safety regulations in the communal areas in buildings where i4B have leasehold properties.</p> <p>c) Agree the escalation route for instances where third-party</p>	<p>Instruct the Home Ownership team in BHM to write to all third party freeholders requesting compliance information</p>	<p>Letters have been sent to all third party freeholders to request compliance information</p>
	<p>Agree a process for BHM to monitor third party freeholders' compliance</p>	<p>Letters have been sent to all third party freeholders to request compliance information</p>

freeholders do not provide compliance information/certificates or where we are not satisfied with the documentation received.	Agree an escalation route where third party freeholders do not provide compliance information	To be agreed with the Leasehold team
Management should: a) Seek assurance on a regular basis that BHM have complete policies and procedures in place covering all elements of FLAGE, and that these are subject to a periodic review cycle. b) Instruct BHM to finalise and share the finalised fire safety and gas safety policies with i4B, including details of the frequency of the property checks required to monitor compliance. c) Ensure that the finalised policies are reviewed and approved by senior management and shared with all relevant staff.	BHM are currently carrying out a review of all compliance policies. i4B will ensure these policies are reviewed and agreed by BHM and then subsequently agreed by the i4B Board.	Electrical safety policy presented to July Board. Programme of other compliance policies to be presented to future Board meetings
	Ensure policies are shared with all relevant staff	To be confirmed following presentation of finalised policies to Board meetings

10.0. Governance Review

10.1. The Council recently commissioned an audit into its governance arrangements in relation to i4B and First Wave Housing. The findings of this audit were presented to the Committee on 1 August 2022. The audit resulted in five medium-risk findings. Management responses, actions and updates are provided below:

Recommendation	Action	Action update
Management should: a) Review the roles (including those of the operational and finance manager) and reporting lines of officers working for the Council to identify and mitigate conflicts of interest. b) Formally document the officer's responsibilities to the Council and the companies and ensure that this is used in all performance reviews. The above should be reviewed as part of the renegotiation of the SLA.	Review job descriptions to identify and mitigate conflicts of interest	Strategy and Delivery Manager to take forward.

<p>Management should:</p> <ul style="list-style-type: none"> a) Develop a risk register for the Council, outlining the key risks facing the Council from the companies. b) The risk register should be reviewed periodically by the Shareholder Panel and any identified risks escalated in line with the Council's risk management framework. 	<p>Review the need for a risk register at the next panel meeting</p>	<p>Completed – agreed to add a strategic risk to the Finance departmental risk register.</p>
<p>Management should:</p> <ul style="list-style-type: none"> a) Document a formal process for the stress testing including who has responsibility for preparing including scenarios considered, approval and documentation. b) Document a summary of the outcomes in the Business Plans. c) Document how these outcomes impact the Business Plan and management/panel approval of this. <p>This should be repeated annually as part of business planning.</p>	<p>Include stress testing in the revised business plans</p>	<p>Completed and reported to Board.</p>
<p>Management should:</p> <ul style="list-style-type: none"> a) Conduct an analysis of the likely cost of these overheads and determine a threshold that will be considered to be immaterial at the time of renegotiation of the SLA and at the point of every subsequent SLA renewal. b) Implement a monitoring mechanism to track that the cost of these overheads remains below this threshold at the renewal of the SLA. 	<p>Consider cost of overheads not captured as part of the Service Level Agreement as part of the next update to the SLA.</p>	<p>SLA renegotiation is ongoing.</p>
<p>Management should formally document the conditions for escalation to Cabinet into the terms of reference for the Shareholder/Guarantor Panel.</p>	<p>Add conditions for escalation to Cabinet into the terms of reference for the Shareholder/Guarantor Panel.</p>	<p>Completed – updated terms of reference agreed at July Shareholder/Guarantor meeting.</p>

10.2. In addition to the Council's audit, further actions have been agreed as a result of the annual review of the FWH's compliance with the Regulator of Social Housing's economic standards, as well as a review of the companies' compliance with the National Housing Federation Code of Governance. These are being progressed, and include:

- Develop and implement a value for money strategy;
- Commission a programme of stock condition surveys for all properties;
- Develop internal controls assurance statements for relevant Heads of service; and
- Carry out an annual appraisal of the Chair of the Board and an annual Board self-assessment.

Ref	Business Plan Objective	Strategic Risk	Risk	Trigger	Previous			Updated			Risk Trend	Mitigation	Actions	Owner	SLA Lead	Due Date	Action Update
					Likelihood	Impact	Score	Likelihood	Impact	Score							
1	Safe and Sustainable Homes	i4B does not meet H&S requirements	Poor data quality on asset management systems means compliance with H&S standards cannot be effectively monitored, resulting in i4B being non-compliant with its statutory obligations.	Inadequate controls on record creation	4	5	20	4	5	20		Review asset records and the controls around creation and update. Produce a regular compliance report to Board covering all compliance requirements.	Gas safety process to be reviewed.	Head of Property Services	Strategic Support Officer	Ongoing	Monthly reconciliations are performed to give assurance. Gas Safety policy still to be signed off at DMT but Electrical Safety policy was signed off at June DMT and presented to July Board.
													Implement new compliance management system				
2	Safe and Sustainable Homes	i4B does not meet H&S requirements	Poor contractor performance and information control results in i4B properties being non-compliant with statutory H&S objectives.	Lack of KPIs and monitoring processes	3	5	15	3	5	15		Set up effective monitoring processes on compliance.	Implement new compliance management system	Head of Property Services	Strategic Support Officer	Mar-23	Regular compliance reporting to be introduced following commissioning of new compliance system. With regards to the implementation of True Compliance BHM are in the process of signing the contract then a PO can be raised and the information transfer can begin. A meeting has been arranged on 20/07/22 to agree the best way to upload the relevant information to the new system.
3	Safe and Sustainable Homes	i4B does not meet H&S requirements	There is no affordable or technical solution for i4B to meet enhanced building standards.	Changing legal obligations	2	4	8	2	4	8		Ensure accurate compliance reports and understand areas of non-compliance and solutions for resolving them. Monitor changes in building standards.	Implement new compliance management system	Head of Property Services	Strategic Support Officer	Mar-23	Regular compliance reporting to be introduced following commissioning of new compliance system. With regards to the implementation of True Compliance BHM are in the process of signing the contract then a PO can be raised and the information transfer can begin. A meeting has been arranged on 20/07/22 to agree the best way to upload the relevant information to the new system.
4	Safe and Sustainable Homes	i4B does not meet H&S requirements	i4B lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.	Lack of reliable monitoring reports to Board	2	4	8	2	4	8		Review policies, controls and reporting arrangements.	Establish list of required policies, identify gaps and agree review schedule.	Head of Property Services	Strategic Support Officer	Mar-23	List of required policies and gap analysis have been developed. BHM planning to implement new compliance system during 2022-23
5	Running a Viable Business	i4B cannot trade as a going concern	Changing Government policy on rents/benefits means i4B cannot increase rents at business plan assumptions.	Change in Government policy	4	3	12	4	3	12		Regular modelling and business plan reviews, and monitoring of changes in Government policy.	Re-test business plan once final account outturn is agreed.	Senior Finance Analyst		Dec-22	Business plan will be re-tested as part of business planning review for 2023-24. Final arrears report presented in April 22.
													Stress test model as part of business plan.			Completed	Completed as part of the final accounts outturn for 2022-23.
6	Running a Viable Business	i4B cannot trade as a going concern	Reductions and changes in market demand mean i4B cannot increase rents at business plan assumptions.	Change in market demand	4	3	12	4	3	12		Regular modelling and business plan reviews.	Re-test business plan once final account outturn is agreed.	Senior Finance Analyst		Dec-22	To be reviewed as part of the 23-24 business planning process.
													Stress test model as part of business plan.			Completed	Completed as part of the final accounts outturn for 2022-23.
7	Running a Viable Business	i4B cannot trade as a going concern	Tenant non-payment of rent increases due to unaffordability of rent.	Change in market demand	5	4	20	5	4	20		Regular modelling and business plan reviews, effective recovery processes, and identifying the main reasons for high arrears levels.	Benchmark on rent collection rates.	Income and Sustainment Manager	Strategy Delivery Manager	Dec-22	Benchmarking completed for 2022-23, annual exercise. Next review to be completed by Dec-22
													Review collection rates and adjust bad debt percentages as part of business plan.		Senior Financial Analyst	Completed	Action completed: rent collection higher than anticipated at 96%. As this was partly due to Resident Support Fund payments, the risk score has not been changed
8	Running a Viable Business	i4B cannot trade as a going concern	High void rent loss due to long void turnaround times.	Poor void management processes and reporting	5	3	15	5	3	15		Improved void management processes and reporting.	Review impacts of voids team restructure	Voids Manager	Strategic Support Officer	Oct-22	Next voids update report to come to October 2022 Board, deadline changed accordingly
9	Running a Viable Business	i4B cannot trade as a going concern	High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.	Poor stock condition and high compliance costs	5	5	25	5	5	25		Development of a costed asset management plan with viable options.	Develop long-term asset management and investment plan, incorporating the impact of the climate change agenda.	Head of Property Services	Strategy Delivery Manager	Mar-23	Stock condition and energy performance surveys now commissioned; survey work to be completed by October 2022
10	Running a Viable Business	i4B cannot trade as a going concern	A lack of transparency around costs means i4B cannot effectively report on its costs.	Lack of direct payment systems and reliance on recharges	5	2	10	5	2	10		Fully set up Oracle for the companies, and transfer all suppliers to direct billing.	Set up fully independent company finances as part of Oracle Cloud to allow direct payments.	Senior Finance Analyst		Oct-22	Core systems are now set up. Discussions to be held with Wates on direct billing. Update to be provided at next risk register review in October.
11	Running a Viable Business	i4B cannot trade as a going concern	Company cash flow (capital and revenue) is insufficient to manage expenditure.	The Company does not acquire properties quickly enough to generate a surplus	2	5	10	3	5	15	↑	Guarantee from Council/Council to consider lower financing rates. Regular review of property market and financial viability criteria. Property acquisitions programme to turn the organisation into a profit-making one.	Review the business plan on an annual basis.	Strategy Delivery Manager		Dec-22	Next business plan review to be carried out for Dec-22. Risk score increased: higher inflation and financing costs, which are unlikely to be fully offset by rent increases, are increasing pressure on i4B's financial model
12	Running a Viable Business	i4B cannot trade as a going concern	Delays in processing utilities and other payments result in poor financial reporting, complaints and financial & reputational damage	The Company fails to set up suppliers and make payments in a timely manner	5	2	10	5	2	10		Fully set up Oracle for the companies, and transfer all suppliers to direct billing.	Engage with suppliers to ensure direct payments, and ensure inter-company recharges	Senior Finance Analyst		Sep-22	Previous action 'Set up fully independent company finances as part of Oracle Cloud to allow direct payments' completed. New action.
13	Increasing Supply of Affordable Housing	i4B cannot increase affordable housing supply	There is an insufficient volume of properties on the market that meet i4B's financial criteria.	Change in market conditions	3	3	9	4	3	12	↑	Regular review of market and financial viability model.	Carry out a strategic review of property demand and supply in the borough which will result in a property acquisition strategy.	Strategy Delivery Manager		Completed	Risk likelihood increased for 3 to 4. 48 acquisitions are currently forecast for 2022-23, but with rising prices this risk will be reviewed on a regular basis. Board receiving monthly reports on this
14	Increasing Supply of Affordable Housing	i4B cannot increase affordable housing supply	There is an insufficient amount of development opportunities that meet i4B's development criteria.	Change in market conditions	3	3	9	3	3	9		Regular review of market and financial viability model.	Carry out a strategic review of property demand and supply in the borough which will result in a property acquisition strategy.	Strategy Delivery Manager		N/A	Action on pause due to rising interest rates and implications for i4B purchase programme
15	Increasing Supply of Affordable Housing	i4B cannot increase affordable housing supply	A lack of affordable financing options means i4B cannot fund acquisitions.	Change in market interest rates	5	3	15	5	3	15		Monitoring of market rates and agreeing financing options with the Council.	Discussions to take place between i4B Board and Council around future investment in Company.	Senior Finance Analyst		Apr-23	This risk has now materialised; this will not threaten the financial viability of the Company, but will reduce the housing supply the Company is able to provide
													Review our interest rate forecasts and impact on the investment model price caps.	Senior Finance Analyst		Completed	Action completed, with work to determine i4B's future purchasing strategy ongoing
16	Running a Viable Business	Financial and reputational damage	Fraud results in a loss of income and/or reputational damage to the company and the Council.	Poor internal controls, or lack of compliance with these	2	3	6	2	3	6		Annual review of internal controls.	Carry out review of internal controls with SLA leads and agree resulting set of actions. Internal controls review to be presented to a future Board meeting.	Strategic Support Officer		Apr-22	Action overdue: review of governance arrangements, including internal controls, agreed at Board meeting in June 2022
17	Running a Viable Business	Financial and reputational damage	i4B is deemed to have failed a statutory requirement in its corporate role following developments in the regulatory environment such as the Hackitt Review.	Policies and procedures fail to meet regulatory requirements or are not complied with	2	3	6	2	3	6		Annual review of regulatory requirements and compliance with these.	Implement actions from compliance project plan presented at June Board meeting.	Strategic Support Officer		Feb-23	Review of governance arrangements, including internal controls, agreed at Board meeting in June 2022. An update on the compliance project plan will be included as part of 2023-24 business planning
18	Providing an Excellent Housing Service	Drop in customer satisfaction and damage to reputation	Contractor performance is not effectively managed and monitored, leading to poor customer service.	The supply chain is not effectively managed	2	3	6	2	3	6		Clear service standards, regular performance management and engagement with supply chain.	None - monthly SLA monitoring meetings reinstated and reporting of customer satisfaction to Board.	Strategy Delivery Manager		N/A	
19	Providing an Excellent Housing Service	Drop in customer satisfaction and damage to reputation	Poor service delivery results and complaints management procedures give rise to low tenant satisfaction.	A lack of clear service standards and complaints management procedures means complaints are not effectively dealt with	2	3	6	2	3	6		Clear service standards and monitoring of complaints performance.	None - complaints policy in place.	Strategic Support Officer		N/A	

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The Audit Findings for i4B Holdings Limited

Year ended 31 March 2022

20 September 2022

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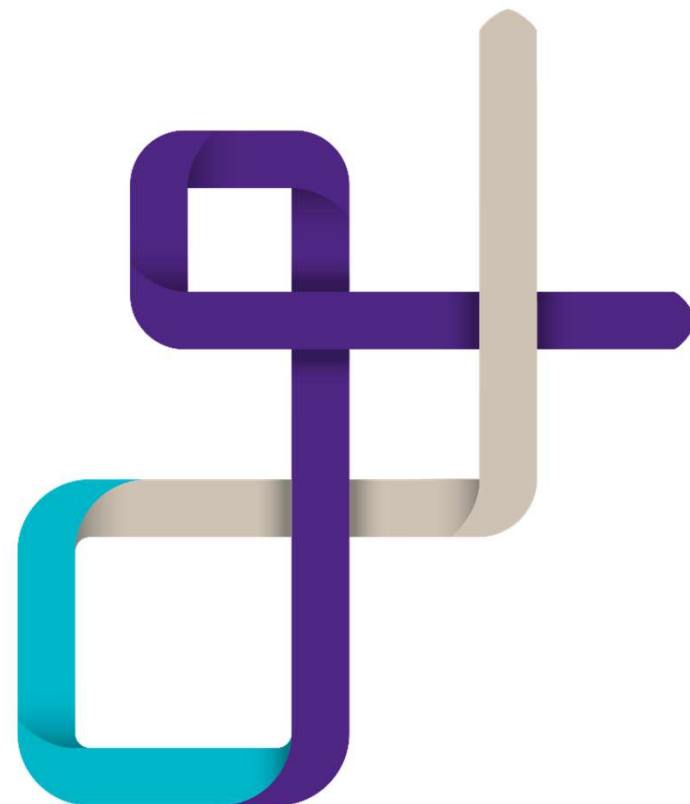
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Grant Thornton at a glance

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FTSE 100 are
non-audit clients

51%



People
worldwide

58,000



Independent nominated
advisor of AiM

No.1

UK offices (+
Cayman and British
Virgin Islands)

27



Largest auditor, UK's
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companies

6th



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135



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20 September 2022

Dear Sirs

Audit Findings for i4B Holdings Limited for the year ended 31 March 2022

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with the Board.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at www.grantthornton.co.uk/en/about-us/leadership-and-governance/transparency-report/

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Stephen Dean

Director
For Grant Thornton UK LLP

Chartered Accountants

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Status of the audit and Audit opinion

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.



- Loan interest error review (see page 9)



- Specific queries and certain sample items to be resolved: debtors, creditors, property additions, revenue, and expenses
- Journals testing of selected items
- Going concern review
- Final accounts reviews
- Letter of representation and subsequent events confirmation

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Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

Our anticipated audit report opinion will be unmodified

Observations in respect of significant risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

- Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue

Auditor commentary

- The audit work we performed was:
 - Reviewing of revenue recognition policies.
 - Performing a walkthrough to confirm our understanding of the processes and controls through which the business initiates, records, processes and reports revenue transactions.
 - Agreeing a sample of the rental income to the supporting rent agreements.
 - Reviewing income generating activities and perform sample testing on material other revenue streams by agreeing a sample of transactions to supporting documentation.

Findings and conclusion

- The sample testing is not yet complete but to date no issues have been noted

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2

Management override of controls and system change

- Under ISA 240 (UK) there is a presumed risk that the risk of management over-ride of controls is present in all entities.
- In the middle of the financial year the accounting system was changed from Oracle R12 to Oracle Cloud which constituted a significant system change and created an opportunity for management override of controls and a greater risk of error.

Auditor commentary

- The audit work we performed was:
 - reviewing of accounting estimates, judgements and decisions made by management, including
 - Valuation of properties (see page 7)
 - testing of journal entries using risk scoring analysis
 - reviewing of unusual significant transactions
 - Understanding changes in controls arising from the change in the IT system through inquiry and journal walkthroughs
 - Agreeing the closing balances in R12 to the opening balances in Oracle Cloud and reconciling the transactions in both systems to the financial statements

Findings and conclusion

- Undertaking the change in system mid year created difficulties and the need for a number of management adjustments. Misstatements were not found in the financial statements arising from the change in system but numerous meetings and management amending working papers was required for them to demonstrate the transactions did reconcile.
- The journals generated for testing were taken from the combined transaction listing of R12 and Oracle Cloud but this created problems so the ledgers were then analysed separately. This testing of journals is not yet complete.

Observations in respect of significant risks (continued)

3

Risks identified in our Audit Plan

Valuation of social housing and investment properties

- As a matter of accounting policy, the company holds its housing properties at valuation. This is measured on an existing use for social housing basis. The investment properties are also held at valuation on an open market basis. Both require significant judgement and there is a risk that these revaluation measurements are materially misstated.

Commentary

Auditor commentary

- The audit work we performed was:
 - Obtained copies of the valuations prepared by management's expert and corroborated the key inputs.
 - Used an internal expert employed by Grant Thornton to assist with the audit of investment properties.
 - Considered the credentials and independence of the valuers and discuss with them their key assumptions and compare these to available market data.
 - Reviewed management's reconciliations between rental data, revenue recorded during the period, and information provided to the valuers.
 - Held discussions with valuers to ensure that the valuations have been prepared according to the RICS 'red book' standards, and the requirements of FRS 102, as well as on a consistent basis with prior periods.

Findings and conclusion

- No issues were noted and we have assurance on the valuation of properties.

Observations in respect of other risks

Going concern commentary

Management's assessment process

Management have produced a detailed business plan and budget, which included a 5 year financial forecast.

They have used this to model their expected cashflows and profit for the going concern period (12 months from the expected date of signing).

Auditor commentary

Our work has consisted of:

- Reviewing management's forecasts and budgets and comparing to the audited results for the current year;
- Reviewing the impact of COVID-19 on the rental income collected during the current year and any impact on the forecast period to date;
- Reviewing the sensitivities produced by management and considering their adequacy;
- Considering whether rising costs have been sufficiently incorporated in the forecasts and the extent of their possible impact;
- Assessing the stress testing in management's forecast and the reverse stress test in what would create material uncertainty and how this is mitigated; and
- Testing the mathematical accuracy of the forecasts.




We have noted that the Company is reliant on the continued funding and support of the London Borough of Brent (for example the SLA and debt agreement). We have therefore requested that management obtain a letter of support from the London Borough of Brent.

Our work is not complete.




Other findings – significant matters discussed with management

	Significant matter	Commentary	
1	Significant events or transactions that occurred during the year	<ul style="list-style-type: none"> The change in the accounting system mid year from Oracle R12 to Oracle Cloud created complexity in ensuring all the transactions were correctly included. This has been documented in the Significant risks management override of controls section. 	<p>Auditor view</p> <ul style="list-style-type: none"> This is a one off event and we have assurance from reconciling the transactions to the financial statements that the transactions as provided are complete. <p>Management response</p> <ul style="list-style-type: none"> This finding is acknowledged
2	<p>Interest on loan with Brent Council:</p> <p>Following from an enquiry from the audit team, it was found that an element in the calculation of the loan interest to the Council, the certainty rate, had been incorrect. This resulted in the loan interest from 2017/18 being undercalculated by about £500k across five years. This would have required a prior year adjustment as well as the adjustment in the current year interest, but another error in the interest has been noted by management reducing the undercalculation to £114k.</p>	<ul style="list-style-type: none"> Our work on the errors is in progress as we are evidencing both errors and ensuring the resulting calculations are correct. 	<p>Auditor view</p> <ul style="list-style-type: none"> Our review of the adjustment required is in progress. <p>Management response</p> <ul style="list-style-type: none"> This finding is acknowledged

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Turnover represents services supplied in the year ended 31 March 2022 such as rents, included at gross cost (all supply is VAT exempt). All income is recognised on a receivable basis 	<ul style="list-style-type: none"> The accounting policy is appropriate under the accounting framework The disclosure of accounting policy is adequate 	
Going concern	<ul style="list-style-type: none"> The Directors have reviewed the forecasts which have been made for 3 years and have a reasonable expectation that the company has adequate access to financing to meet working capital requirements and continue in operational existence for the foreseeable future. A letter of support has been issued by London Borough of Brent from the section 151 officer, covering the period up to 31st September 2023. 	<ul style="list-style-type: none"> The policy is appropriate under the accounting framework We have suggested improvements in the disclosure of the going concern policy in regard to disclosing the assumptions and stress testing undertaken which are in progress. 	
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Provision for doubtful debts on rental income: this provision requires management's best estimate of doubtful debts estimated on an aged basis and status of the debt. Valuation of properties: the Valuer prepared the valuations based on the existing use value at the 31st of March 2022 for property plant and equipment and open market value for investment properties. 	<ul style="list-style-type: none"> The policies are appropriate under the accounting framework The estimates are undertaken in an appropriate way and the properties estimate has been tested as described in the significant risks section and for doubtful debts the assumptions have been assessed have been tested and whether the provision is reasonable and sufficient substantively tested. The disclosure of accounting policy is adequate 	

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none">We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures
2	Matters in relation to related parties	<ul style="list-style-type: none">We are not aware of any related parties or related party transactions which have not been disclosed
3	Matters in relation to laws and regulations	<ul style="list-style-type: none">The principal laws and regulations with which the company complies include the Companies Act 2006, The Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102), and current UK corporation tax legislation. We are not aware of any significant incidences of non-compliance.
4	Written representations	<ul style="list-style-type: none">Representations will be requested from management.
6	Confirmation requests from third parties	<ul style="list-style-type: none">We requested a year end bank balance confirmation from Natwest, which was received.
7	Disclosures	<ul style="list-style-type: none">Our review found no material omissions in the financial statements

Internal controls - Oracle Cloud controls assessment findings

1	Assessment	Issue and risk	Recommendations
		<p>Segregation of duties conflicts between finance and system administration roles in Oracle Cloud.</p> <p>Our audit identified the following segregation of duties conflicts for users in Oracle Cloud:</p> <ul style="list-style-type: none"> A Senior Finance Analyst had access to the Application Implementation Consultant and IT Security Manager roles. A Senior Finance Analyst had access to six Brent L3 Support roles. The Head of Finance had access to the IT Security Manager role. Five finance users who had access to the Financial Integration Specialist role (we note that this access was revoked on 14 April 2022). 13 members of the Payroll team and four members of the Learning and Development team who had access to the Brent HCM Application Administrator role. 	<p>It is recommended that the Council, on behalf of i4B, undertakes a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p> <p>Furthermore, the Council should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.</p> <p>Management response</p> <ul style="list-style-type: none"> This finding is acknowledged and Brent have since implemented a plan to remove the security roles from the users post 31-Mar-2022 and this is being tracked to ensure sufficient controls are in place to avoid this risk in the future. A review will be carried out to assess the feasibility of building custom roles and taking into account cost, time and expertise needed to build these in time for the 2022/23 year end process.
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<p>The Council confirmed that some of these users required this level of access to complete the closedown process for the production of the financial statements.</p> <p>Risk</p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p>			

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

Internal controls - Oracle Cloud controls assessment findings (continued)

Assessment	Issue and risk	Recommendations
2	<p>Lack of audit logging in Oracle Cloud.</p> <p>Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled.</p> <p>Risk</p> <p>Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p>	<p>It is recommended that the Council, on behalf of i4B, implement audit logging for financially critical areas including, but not limited to:</p> <ul style="list-style-type: none"> • Accounts Payable (including Suppliers); • Cash Management; • Accounts Receivable; and • General Ledger. <p>The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations.</p> <p>Management response</p> <ul style="list-style-type: none"> • This finding is acknowledged and a review will be carried out on the impacts of turning on audit logging for these areas in terms of cost, system performance and dependencies.

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Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<ul style="list-style-type: none"> Accounting judgments particularly in regard to investment properties valued by Wilks Head Eve are compliant with FRS 102. 	<ul style="list-style-type: none"> No issues were noted in the current year in judgments undertaken, including those for the valuation of investment properties. One issue was Stamp Duty Land Tax being included in valuations previously, but this was not done in the current year.
2	✓	<ul style="list-style-type: none"> Fixed asset costs were not always allocated to specific properties in the prior year. 	<ul style="list-style-type: none"> No issues in fixed asset cost allocation has been identified in the current year.
3	✓	<ul style="list-style-type: none"> In previous years there have been unbalanced journal entries as the entity has not had its own entity level general ledger. 	<ul style="list-style-type: none"> The entity has now been established as a separate entity with its own general ledger in Oracle.

Adjusted misstatements

There are no adjusted misstatements in the current year.

Unadjusted misstatements

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Detail

	Profit and loss account		Balance sheet		Profit effect £,000
	Debit £'000	Credit £'000	Debit £'000	Credit £'000	
Profit per draft accounts					2,340
Interest charge	114				(114)
Loan balance				114	
<i>Net loan interest error</i>					
Potential Profit					2,226

There were no unadjusted misstatements in the prior year.

Independence and ethics

Independence and ethics

- 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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Fees and non-audit services

The table below sets out the total fees for audit for the current year. There are no non-audit services provided to the company.

	Fees £	Threat identified	Safeguards
Audit of company	33,500	n/a	n/a

- None of the above services were provided on a contingent fee basis
- For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to i4B. No non-audit services were identified
- The fees do not currently reconcile to the financial statements which state £35,400. This is being looked at by management.

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This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (ES 1.69)

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to **ensure** our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Appendix A: Delivering audit quality – proven success in regulatory inspections

The Financial Reporting Council (FRC) published the findings of its annual Quality Inspection of our firm, alongside the six other 'Tier One' auditing firms in the UK, on 20 July 2022.

Our results

- We're the first firm to ever be awarded the highest quality grading for 100% of files reviewed
- For the second consecutive year, we have the highest proportion of audits with the top-quality grades out of the seven major firms
- [Click here](#) to see FRC's latest inspection report into our firm. The graph to the right shows Grant Thornton is the only firm to have all files reviewed in the highest quality grading bracket awarded ("Good or limited improvements required").

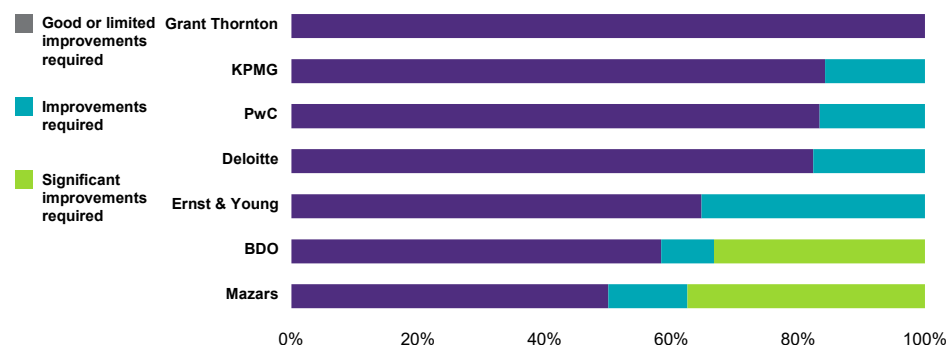
Continued commitment to audit quality

- We continuously evolve our audit practice, so we deliver quality against the backdrop of continually evolving scrutiny and challenge, whilst ensuring we exceed client stakeholder expectations. The past two FRC inspection results are evidence of this.

Our commitment to quality, includes us continuing to:

- **hold ourselves accountable.** It's what our Audit Quality Board, with external audit experts, **does**
- **challenge management.** It's part of our approach – to robustly explore areas that are complex, significant or highly judgmental, for example, certain accounting estimates, going concern evaluations, revenue recognition and other such areas
- **challenge ourselves.** It's why we have a continuous improvement approach focussed on how we can be even better year on year, in technical skills, project management skills, digital, culture, and working as effectively as possible with you
- **invest, significantly.** It's why we have centres of excellence and an Audit Quality Academy, and have grown and developed our IT audit and Digital Audit Technology practices

FRC's Audit Quality Inspection and Supervision Report Findings 2021-22 (%), July 2022



What has the FRC said about us?

Our firm is immensely proud of the "good practice" areas highlighted by the FRC:

- Detailed reporting and effective communication with Audit Committees
- Robust challenge and scepticism to Management's accounting around complex areas, particularly around impairment and journals
- Discussions with those outside of the finance team to provide broader audit evidence and insight

In our recent reports, our internal use of specialists and approach to use of data analytics has also been highlighted by the regulator; both of which remain integral to the success of our results and approach to quality.

Appendix B: Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

- ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This will impact audits of financial statement for periods commencing on or after 15 December 2021.

- ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
- ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none">• the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures• the identification and extent of work effort needed for indirect and direct controls in the system of internal control• the controls for which design and implementation needs to be assess and how that impacts sampling• the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none">• increased emphasis on the exercise of professional judgement and professional scepticism• an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence• increased guidance on management and auditor bias• additional focus on the authenticity of information used as audit evidence• a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none">• Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none">• clarification of the requirements relating to understanding fraud risk factors• additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

Appendix B: Auditing developments (continued)

Other standards

There are also changes to International Standard for Review Engagements (ISRE) (UK) 2410 (May 2021) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' and this will impact period commencing on or after 15 December 2021. The key changes to the ISRE are included below:

Impact of Key Changes

Management / those charged with governance


The clarification of the requirements for directors to assess going concern when preparing interim financial information required by the accounting standards may result in an increased work effort for management in preparing its interim financial information.

Auditors

Additional interim procedures are required in respect of

- updating the understanding of the entity and its environment from the previous audit or interim review, including specific factors to be considered
- strengthening the review procedures to be performed over management's assessment of the entity's ability to continue as a going concern. This change results in 'audit type' procedures being performed over going concern in a review engagement.

Revised review report to include an explicit statement regarding matters, if any, that have come to the auditor's attention that causes the auditor to believe it is not appropriate for the entity to adopt the going concern basis of accounting for the interim financial statements.

	Audit and Standards Advisory Committee 29 September 2022
	Report from the Chair of First Wave Housing Limited
Report on First Wave Housing Limited	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	1. Company Risk Register 2. Audit Findings Report
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Sadie East Operational Director of Transformation Sadie.East@brent.gov.uk Tel: 020 8937 1507

1.0. Purpose of the Report

- 1.1. This report provides the Audit and Standards Advisory Committee (The Committee, ASAC) with an update on First Wave Housing Ltd.'s (FWH; The Company) draft accounts, recent performance, risk register, and audit arrangements.

2.0. Recommendation(s)

- 2.1. The ASAC is asked to note the content of the report.

3.0. Detail

- 3.1. FWH is a housing company wholly owned by the London Borough of Brent. FWH is limited by guarantee. FWH is a registered provider of social housing.
- 3.2. FWH's Board is made up of an independent Chair, two Council corporate directors, one councillor and one independent non-executive director. The

Board meets on a monthly basis.

- 3.3. The Council is the sole Guarantor of FWH. FWH meets with the Guarantor twice a year, as well as reporting to the Audit and Standards Advisory Committee every six months. In addition, Cabinet as representative of the Guarantor is asked to agree the company's business plan each year.
- 3.4. FWH has a Service Level Agreement with Brent Housing Management to carry out housing management services for its stock of 216 properties.
- 3.5. FWH's 2022/23 business plan was agreed by the Shareholder in March 2022. The business plan incorporated the following as the medium- to long-term objectives for Brent Council's housing companies, i4B Holdings Ltd (i4B) and First Wave Housing:
 - Increasing the supply of affordable housing in the borough
 - Running a viable business;
 - Delivering safe and sustainable homes; and
 - Providing a consistently good housing service.

3.3. *Stock Breakdown*

- 3.4. On 4 April 2022, the transfer of 110 properties at Granville New Homes previously owned by FWH took place. Following this, FWH's portfolio consists of 216 properties.
- 3.5. The current annual rent roll is £3.44 million. There is also one commercial property within the portfolio.

Table One – FWH Stock Breakdown

Product Type	No. Properties	Average Weekly Rent	Sum of Weekly Rent
General Needs	5	£147	£733
3 bed	5	£147	£733
Market Rented	45	£308	£13,850
1 bed	45	£308	£13,850
Settled Housing	166	£311	£51,562
1 bed	10	£284	£2,840
2 bed	134	£310	£41,519
3 bed	22	£327	£7,203
Grand Total	216	£306	£66,145

4.0. 2021-22 Draft Accounts Outturn

- 4.1. FWH's draft 2021-22 accounts outturn position is set out in the table below. The Board is due to approve the final accounts in September. This table provides a comparison of income and expenditure for the years 2021/22 and 2020/21. The key variations are explained below.

Statement of comprehensive income for the year ended 31 March 2022

	Note	2021/22	2020/21
		£'000	£'000
Turnover	5	4,143	4,184
Operating costs	6,7,8	(2,762)	(2,305)
Reversal of Revaluation loss on housing assets		3,530	(12,458)
Surplus on asset disposal	7	-	171
Surplus on revaluation of investment properties	11	230	192
Surplus on revaluation of commercial properties	11	12	1
Operating Surplus (Loss)	7	5,153	(10,215)
Interest payable and similar charges	15	(1,080)	(1,105)
Profit (Loss) on ordinary activities before taxation		4,073	(11,320)
Tax on surplus on ordinary activities	10	(453)	(175)
Profit on ordinary activities after taxation		3,620	(11,495)
Profit (Loss) Loss for the financial year	<i>SOCIE</i>	3,620	(11,495)
Unrealised gain / (loss) on revaluation of social housing properties	<i>SOCIE</i>	2,322	1,499
Total comprehensive income for the year		5,942	(9,996)

4.2. Operating Costs

- 4.2.1. Operating costs increased from £2.305m to £2.762m due to the costs of the waking watch which was in place whilst the fire alarm at Granville New Homes was being installed and tested. The waking watch was in place in the Granville blocks for the whole of the 2021/22 financial year.

4.3. Revaluation adjustments

- 4.3.1. In 2020/21 there was a write down of the £12.458m value of the Granville housing blocks due to substantial remediation works being required to remedy defects in the blocks. Subsequent to the sign off of the final accounts in September 2021 the Council took a decision to transfer the blocks out of First Wave Housing as the best option for progressing the remediation works as well as ensuring the continued financial viability of First Wave Housing. Social Housing tenants were transferred to the council In April 2022 and tenants on

intermediate rents were transferred to the Council's other housing company i4B.

- 4.3.2. As the rents on the intermediate properties are higher than social housing rents the valuation for the units to be transferred to i4B resulted in a positive valuation of £3.53m. This valuation uplift is reflected in the income and expenditure account and the FWH balance sheet.

4.4. **Cashflow statement**

- 4.4.1. The cashflow statement below sets out how the company cash position has moved from the 1st of April 2021 to the 31st of March 2022. Cash held has increased from £2.5m to £4.2m primarily due to in an increase in creditors' balances.

	Notes	2021/22 £'000	2020/21 £'000
Cash flows from operating activities			
Profit (Loss) for the financial year	<i>SOCI</i>	3,620	(11,495)
Adjustments for:			
Depreciation of tangible fixed assets	<i>11</i>	433	572
Surplus on revaluation	<i>11</i>	(3,772)	12,265
Surplus on Disposal		-	(171)
Interest paid	<i>9</i>	1,080	1,105
Current tax	<i>10</i>	453	175
(Increase) / Decrease in debtors		(356)	912
Increase in creditors		2,679	49
Cash from operations		4,137	3,412
Tax paid	<i>10</i>	(320)	(67)
Net cash generated from operating activities		3,817	3,345
Cash flows from investing activities			
Purchase of tangible fixed assets	<i>11</i>	(121)	-
Net cash used in investing activities		(121)	-
Cash flows from financing activities			
Interest paid		(1,080)	(1,105)
Repayment of loans to the Council	<i>16</i>	(885)	(859)
Net cash used in financing activities		(1,965)	(1,964)
Net increase in cash and cash equivalents		1,731	1,381
Cash and cash equivalents at beginning of year	<i>13</i>	2,500	1,119
Cash and cash equivalents at end of year	<i>13</i>	4,231	2,500

4.5. **Statement of Financial Position**

4.5.1. The statement of financial position is set out below. This records the assets and liabilities of the company.

Statement of financial position as at 31 March 2022

	Notes	2021/22 £'000	2020/21 £'000
Fixed assets			
Housing properties at valuation - investment properties	11	12,560	12,330
Housing properties at valuation - social housing properties	11	42,975	37,423
Social housing properties - furniture, fixtures & fittings	11	25	38
Commercial properties	11	286	274
Total fixed assets		55,846	50,065
Current assets			
Debtors	12	2,451	2,036
Cash at bank and in hand	13	4,231	2,500
Total current assets		6,682	4,536
Creditors: amounts falling due within one year	14	(3,897)	(1,869)
Net current assets		2,785	2,667
Total assets less current liabilities		58,631	52,732
Provision for deferred tax	15	(1,305)	(933)
Creditors: amounts falling due after more than one year	15	(34,691)	(35,106)
Net liability		(35,996)	(36,039)
Net assets		22,635	16,693
Capital and reserves			
Revaluation reserve	SOCIE	22,645	16,924
Revenue reserve	SOCIE	(10)	(231)
Total Capital and Reserves		22,635	16,693

4.6. **Fixed Assets**

4.6.1. The value of fixed assets has increased from £50.065m to £55.746m. This is due to the £3.53m uplift in the valuation of the Granville blocks and a wider increase in the value of the property portfolio.

4.7. **Debtors and Creditors**

4.7.1. Debtors and creditors have both increased. These are mainly sums due to or from the Council and were outstanding pending the introduction of an intercompany billing system.

4.8. Capital and Reserves

4.8.1. Capital and reserves have increased from £16.693m to £22.635m due to the increase in fixed asset values and the surplus made by the company in the 2021/22 financial year.

4.9. Summary

4.9.1. The exceptional write down for the Granville blocks in 2020/21 reduced the balance sheet value of the company and resulted in a substantial loss being recorded in the 2020/21 financial year. The revaluation uplift following the Council's transfer decision, the wider uplift in property values and the continued operating surplus generated by the company in the 2021/22 financial year has generated a surplus of £3.62m and strengthened the company balance sheet with an increase in capital reserves of £5.942m.

5.0. Operational Performance

5.1. FWH does not acquire properties; therefore performance is based on housing management. Table Two below provides an update on operational performance for the company. Performance is reported each month to the FWH Board, and is reported on at the company's six-monthly meetings with the Council as Guarantor.

Table Two – Summary of Performance

Indicator	Target	Performance at December 2021	Performance at June 2022
Minor void re-let times	35 days	78 days	N/A YTD
Major void re-let times	72 days	85 days	92 days
Rent collection	100%	100.35%	117.37%
Emergency repairs	100%	99%	100%
Urgent repairs	95%	85%	78%
Routine repairs	95%	85%	69%
% of portfolio with valid gas certificate	100%	99%	99%

5.2. Voids

5.2.1 Void times for FWH remain outside of target, with year-to-date major void times at 92 days against a target of 72 days. There have been no minor voids re-let in the year to date. Voids remain a concern for FWH.

5.2.2 An action plan agreed by the FWH Board in March 2022 is currently being implemented by BHM, with an update due to the October Board meeting. The plan includes closer reviews of void specifications and categorisation, more robust case management and contracting, and the implementation of pre-

termination visits. Voids will continue to be closely monitored by officers and at Board level as a priority for 2022-23, and early improvements in void times and costs have been seen in the first months of the financial year.

5.3 *Rent Collection*

5.3.1 The end-of-year rent collection figure for 2021/22 was 103.18%, which included payments from the Resident Support Fund.

5.3.2 In the year to date, rent collection has remained above the target of 98.5%.

5.4 *Repairs*

5.4.1 All emergency repairs in the year have been responded to within 24 hours. Performance for urgent and routine repairs remains below target. All out-of-target cases are investigated as part of contract monitoring.

6.0. **Risk Update**

6.1. The Company currently faces a number of risks; the FWH risk register is included in Appendix 1. The risk register was last presented to the FWH Board in July 2022. Key risks include:

- High void rent loss due to long void turnaround times.
- High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- Poor data quality on asset management systems means compliance with Health and Safety standards cannot be effectively monitored, resulting in FWH being non-compliant with its statutory obligations.
- Poor contractor performance and information control results in FWH properties being non-compliant with statutory Health and Safety objectives.

6.2. The Company's risk register is formally reviewed quarterly. Throughout the risk register business plans assumptions and mitigations are updated.

6.3. In recent months the wider economic context has emerged as a heightened risk for the Company. In particular the impact of high inflation on costs and, notably, rental affordability for tenants.

6.4. In addition, the Company's potential risk to the Council is recorded on the Resident Services directorate's strategic risk register under the following risk:

- Issues with the operations or governance of the Council's wholly owned housing companies, i4B Holdings Ltd and First Wave Housing Ltd, lead to the non-achievement of the companies' strategic objectives, bringing financial and/or reputational damage to the Council

7.0. Audit Update – Health and Safety Compliance Audit

- 7.1. FWH recently commissioned an audit into its health and safety compliance controls, managed primarily through its Service Level Agreement with Brent Housing Management. The audit resulted in six high-risk findings and one medium-risk finding.
- 7.2. A management action plan was agreed in response to the audit and actions are being progressed to further improve the management of compliance information. FWH officers have carried out a full review into the compliance of all FWH properties with all applicable health and safety elements at both an individual dwelling and block level.
- 7.3. A monitoring tracker has been produced that tracks all compliance elements for all FWH properties and blocks. All compliance certification is being located and saved in a central place. FWH has also initiated increased clienting of the compliance certification process to provide further assurance. This includes regular monitoring of all compliance areas, weekly meetings with the Head of Housing Property Services, and escalation of issues in areas where a lack of progress has been made and where non-compliance is an ongoing issue.
- 7.4. As a longer-term approach to the monitoring and reporting of compliance, BHM have now procured the True Compliance system. True Compliance will allow BHM to manage all areas of compliance on one system including storage of certification. The system will also remove the need for staff to manually process or check certificates to ensure they are valid. True Compliance provides user friendly dashboards that will allow staff and managers to easily access live compliance information. The system has been reviewed and approved by the relevant internal technical boards, and the contract has now been signed. Initial meetings between BHM and True Compliance have taken place in August 2022. The first area of compliance, gas safety, is due to go live on the system in September 2022; other areas will follow over the coming months.
- 7.5. The management action plan is being regularly monitored by the FWH Board. A follow-up to the audit will take place in the third quarter of 2022-23, with results to be presented to the FWH Board in Q4.
- 7.6. A summary of the audit recommendations, agreed management actions and progress is below:

Recommendation	Action	Action update
<p>Management should:</p> <p>a) Conduct more substantial and regular checks on the compliance status of all FWH properties. Information should be provided by the relevant health and safety subcontractors where relevant. FWH should obtain assurances from BHM that it:</p> <ul style="list-style-type: none"> • Is liaising with health and safety subcontractors to provide the most recent compliance certificates/ surveys, which should then be uploaded to the relevant systems. • Has access to the relevant systems or the opportunity to conduct periodic spot-check audits on the compliance status of properties within each system. These audits should be conducted on a regular basis so that any issues can be dealt with promptly. <p>b) Consider deploying a central compliance system to ensure that all health and safety compliance data for all properties is held on a single database.</p>	<p>BHM are in the process of purchasing and implementing a central compliance system. This system will ensure all health and safety compliance information for all properties is in a central place and documents are easily retrieved. FWH will monitor the implementation of the system and ensure BHM implement the system as per the deadlines agreed</p>	<p>The contract with True Compliance has now been signed; FWH representatives will attend the implementation meeting</p>
	<p>Prior to the introduction of the compliance system, FWH will implement a robust monitoring process/system to ensure all FWH properties are compliant with all relevant H&S areas. Where areas of non-compliance are identified FWH will ensure BHM action these. This will involve FWH having access to relevant compliance systems</p>	<p>The monitoring system is in place. FWH officers have access to all relevant compliance systems and regular checks are carried out against the FWH asset list. Where issues are identified, these are raised with BHM and monitored</p>
	<p>FWH will carry out bimonthly audits and spot checks of BHM and contractor data to ensure records are accurate and match up with the central asset list. Audits will also ensure relevant certification is obtained for all properties. This will involve FWH having access to relevant compliance systems</p>	<p>Regular reviews of data on the gas safety system, asbestos system and electrical tracker are ongoing</p>

<p>Management should:</p> <p>a) Receive assurances that BHM are obtaining data on the overall compliance status for each health and safety element by property on a regular basis and are sharing this with FWH to ensure there is oversight of the overall compliance status across all properties.</p> <p>b) Where there are ongoing gaps identified (for instance communal electrical, emergency lighting, and communal gas compliance), obtain assurances that BHM are obtaining this information so that this data can be tracked on an ongoing basis to provide assurance of compliance status to FWH.</p> <p>c) Review the compliance KPI to determine whether this is achievable and obtain assurances that BHM is using this data for more accurate reporting against the KPI.</p> <p>d) Confirm that BHM is maintaining minutes of the monthly contractor meetings so that key actions, action owners and timelines can be agreed and follow-up formally.</p>	FWH will review the compliance KPI and ensure that the information BHM report on this KPI is accurate. FWH will ensure information on the compliance status of all key elements of health and safety is reported to Board	Gas safety reporting is checked by FWH for accuracy. Other compliance reporting will be introduced following the introduction True Compliance. In the meantime, FWH has put a monitoring system in place that tracks all areas of compliance, and reports to the Board on this on a monthly basis.
	FWH will request copies of minutes and actions of BHM meetings with compliance sub-contractors to ensure contract management arrangements are robust	Minutes are sent to FWH officers
<p>Management should:</p> <p>a) Obtain assurances that the BHM Compliance team are obtaining copies of VIF and are saving these centrally and distributing them to the relevant health and safety subcontractors in a timely manner so that systems are updated, and new properties are added to the relevant monitoring/remedial works schedules without delay.</p> <p>b) Receive assurances from BHM that complete listings of properties include the current health and safety compliance status for each property.</p> <p>c) Prior to the implementation of a new central compliance system</p>	FWH will carry out a review with BHM of the void process and asset set up process to ensure that during the void period all relevant compliance systems and contractors are updated with information on new acquisitions	All recent purchases and voids are reviewed. Issues with compliance certification being saved on the CRM system are being picked up with BHM

<p>covering all aspects of FLAGE, confirm that BHM are receiving compliance data for FWH properties from all health and safety subcontractors monthly and conducting regular reconciliations between the asset listing maintained by health and safety subcontractors and the asset listing maintained within the Northgate system to ensure the asset records held are aligned. Any discrepancies should be identified and corrected.</p>	<p>Conduct bi-monthly reconciliations between the asset lists maintained by health and safety subcontractors and the asset listing maintained within the Northgate system to ensure the asset records held are aligned and accurate</p>	<p>Regular reviews of data on the gas safety system, asbestos system and electrical tracker are ongoing</p>
<p>Management should:</p> <p>a) Report to the Board periodically on the compliance status of all key elements of health and safety.</p> <p>b) Once this data can be obtained, ensure it is reconciled for accuracy and then shared with the Boards one week in advance of Board meetings with the other Board papers.</p>	<p>Prior to the implementation of the new compliance system, FWH will ensure that BHM report to the Board periodically on the compliance status of all key elements of health and safety</p>	<p>Gas safety reporting is checked by FWH for accuracy. Other compliance reporting will be introduced following the introduction True Compliance. In the meantime, FWH has put a monitoring system in place that tracks all areas of compliance, and reports to the Board on this on a monthly basis.</p>
	<p>Carry out audits of information reported to the Board to ensure that it is accurate. Where issues are identified, FWH will ensure BHM rectify issues</p>	<p>Gas safety reporting is checked by FWH for accuracy. Other compliance reporting will be introduced following the introduction True Compliance. In the meantime, FWH has put a monitoring system in place that tracks all areas of compliance, and reports to the Board on this on a monthly basis.</p>

<p>Management should:</p> <p>a) Obtain assurances that BHM are updating the status of remedial actions on an ongoing basis on the relevant FLAGE management information systems.</p> <p>b) Where it is not possible to update this information directly on the system, receive assurances that BHM are maintaining and updating trackers, so that the status of remedial works is tracked on an ongoing basis.</p> <p>c) Instruct BHM to document a process of how remedial actions will be monitored to completion including the details of works required, and the teams/contractor responsible, and the target deadline for completion. This will inform a consistency in the allocation of the works.</p> <p>d) Agree with the Board how remedial actions will be communicated and discussed across the multiple teams involved. This could include a specific agenda item at regular meetings between BHM and health and safety subcontractors to cover reporting on the status of remedial actions against the programme/schedule of works and any issues arising.</p> <p>e) Obtain assurances that BHM are generating template reports on a monthly basis to monitor the number of overdue remedial actions present from compliance areas, number completed, outstanding remedial actions and those that have surpassed their deadline. Receive assurances that BHM are discussing these at regular meetings with health and safety subcontractors and reported to Board monthly.</p>	<p>As part of the BHM Action Plan, BHM will introduce True Compliance. This system will track remedial works. FWH will ensure that BHM introduce the system and that the system for tracking remedial works is process mapped</p>	<p>The contract with True Compliance has now been signed; FWH representatives will attend the implementation meeting</p>
	<p>Prior to the introduction of True Compliance, FWH will request access to remedial works trackers to ensure remedial works are being carried out to timescale. Where works are not carried out issues will be escalated</p>	<p>Remedial works trackers are shared with FWH. As with other compliance areas, these are reviewed and any queries are raised with BHM</p>
	<p>On a bi-monthly basis, FWH will also carry out spot checks and inspections of compliance certification to ensure BHM have recorded and actioned remedial works</p>	<p>Remedial works trackers are shared with FWH. As with other compliance areas, these are reviewed and any queries are raised with BHM</p>
<p>Management should:</p> <p>a) Obtain assurances that BHM is receiving compliance information from third-party freeholders in a timely manner.</p> <p>b) Agree a process for BHM to monitor third-party freeholders' compliance to health and safety regulations in the communal areas in buildings where FWH have leasehold properties.</p> <p>c) Agree the escalation route for instances where third-party</p>	<p>Instruct the Home Ownership team in BHM to write to all third party freeholders requesting compliance information</p>	<p>Letters have been sent to all third party freeholders to request compliance information</p>
	<p>Agree a process for BHM to monitor third party freeholders' compliance</p>	<p>Letters have been sent to all third party freeholders to request compliance information</p>

freeholders do not provide compliance information/certificates or where we are not satisfied with the documentation received.	Agree an escalation route where third party freeholders do not provide compliance information	To be agreed with the Leasehold team
Management should: a) Seek assurance on a regular basis that BHM have complete policies and procedures in place covering all elements of FLAGE, and that these are subject to a periodic review cycle. b) Instruct BHM to finalise and share the finalised fire safety and gas safety policies with FWH, including details of the frequency of the property checks required to monitor compliance. c) Ensure that the finalised policies are reviewed and approved by senior management and shared with all relevant staff.	BHM are currently carrying out a review of all compliance policies. FWH will ensure these policies are reviewed and agreed by BHM and then subsequently agreed by the FWH Board.	Electrical safety policy presented to July Board. Programme of other compliance policies to be presented to future Board meetings
	Ensure policies are shared with all relevant staff	To be confirmed following presentation of finalised policies to Board meetings

8.0. Governance Review

8.1. The Council recently commissioned an audit into its governance arrangements in relation to i4B and First Wave Housing. The findings of this audit were presented to the Committee on 1 August 2022. The audit resulted in five medium-risk findings. Management responses, actions and updates are provided below:

Recommendation	Action	Action update
Management should: a) Review the roles (including those of the operational and finance manager) and reporting lines of officers working for the Council to identify and mitigate conflicts of interest. b) Formally document the officer's responsibilities to the Council and the companies and ensure that this is used in all performance reviews. The above should be reviewed as part of the renegotiation of the SLA.	Review job descriptions to identify and mitigate conflicts of interest	Strategy and Delivery Manager to take forward.

<p>Management should:</p> <ul style="list-style-type: none"> a) Develop a risk register for the Council, outlining the key risks facing the Council from the companies. b) The risk register should be reviewed periodically by the Shareholder/ Guarantor Panel and any identified risks escalated in line with the Council's risk management framework. 	<p>Review the need for a risk register at the next panel meeting</p>	<p>Completed – agreed to add a strategic risk to the Finance departmental risk register.</p>
<p>Management should:</p> <ul style="list-style-type: none"> a) Document a formal process for the stress testing including who has responsibility for preparing including scenarios considered, approval and documentation. b) Document a summary of the outcomes in the Business Plans. c) Document how these outcomes impact the Business Plan and management/panel approval of this. <p>This should be repeated annually as part of business planning.</p>	<p>Include stress testing in the revised business plans</p>	<p>Completed and reported to Board.</p>
<p>Management should:</p> <ul style="list-style-type: none"> a) Conduct an analysis of the likely cost of these overheads and determine a threshold that will be considered to be immaterial at the time of renegotiation of the SLA and at the point of every subsequent SLA renewal. b) Implement a monitoring mechanism to track that the cost of these overheads remains below this threshold at the renewal of the SLA. 	<p>Consider cost of overheads not captured as part of the Service Level Agreement as part of the next update to the SLA.</p>	<p>SLA renegotiation is ongoing.</p>
<p>Management should formally document the conditions for escalation to Cabinet into the terms of reference for the Shareholder Panel.</p>	<p>Add conditions for escalation to Cabinet into the terms of reference for the Shareholder Panel.</p>	<p>Completed – updated terms of reference agreed at July Shareholder meeting.</p>

8.2. In addition to the Council's audit, further actions have been agreed as a result of the annual review of the FWH's compliance with the Regulator of Social Housing's economic standards, as well as a review of the companies' compliance with the National Housing Federation Code of Governance. These are being progressed, and include:

- Develop and implement a value for money strategy;
- Commission a programme of stock condition surveys for all properties;
- Develop internal controls assurance statements for relevant Heads of service; and
- Carry out an annual appraisal of the Chair of the Board and an annual Board self-assessment.

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Trigger	Previous			Updated			Risk Trend	Mitigation	Actions	Owner	SLA Lead	Due Date	Action Update
	Likelihood	Impact	Score	Likelihood	Impact	Score							
Inadequate controls on record creation	4	5	20	4	5	20		Review asset records and the controls around creation, and update. Produce a regular compliance report to Board covering all compliance requirements.	Gas safety process to be reviewed	Head of Property Services	Strategic Support Officer	Ongoing	Monthly reconciliations are performed to give assurance. Gas Safety policy still to be signed off at DMT but Electrical Safety policy was signed off at June DMT and presented to July Board.
									Implement new compliance management system			Mar-23	Action updated; BHM planning to implement new compliance system, True Compliance, during 2022-23 - proposal to be presented to Housing Digital Board. Regular compliance reporting to be presented to Board following this. Compliance audit presented to Board in April 2022, with management action plan agreed
Lack of KPIs and monitoring processes	3	5	15	3	5	15		Set up effective monitoring processes on compliance.	Implement new compliance management system	Head of Property Services	Strategic Support Officer	Mar-23	Regular compliance reporting to be introduced following commissioning of new compliance system. With regards to the implementation of True Compliance BHM are in the process of signing the contract then a PO can be raised and the information transfer can begin. A meeting has been arranged on 20/07/22 to agree the best way to upload the relevant information to the new system.
Changing legal obligations	2	5	10	2	5	10		Annual review to monitor changes in regulatory requirements and our compliance with them.	Implement new compliance management system	Head of Property Services	Strategic Support Officer	Mar-23	Regular compliance reporting to be introduced following commissioning of new compliance system. With regards to the implementation of True Compliance BHM are in the process of signing the contract then a PO can be raised and the information transfer can begin. A meeting has been arranged on 20/07/22 to agree the best way to upload the relevant information to the new system.
Lack of reliable monitoring reports to Board	2	4	8	2	4	8		Annual review of policies and reporting.	Establish list of required policies, identify gaps and agree review schedule.	Strategic Support Officer	Strategic Support Officer	Mar-23	List of required policies and gap analysis have been developed. BHM planning to implement new compliance system during 2022-23
Change in Government policy	4	3	12	4	3	12		Regular modelling and business plan reviews, and monitoring of changes in Government policy.	Re-test business plan once final account outturn is agreed.	Senior Financial Analyst		Dec-22	Business plan will be re-tested as part of business planning review for 2023-24.
									Stress test model as part of business plan.			Completed	Completed as part of the final accounts outturn for 2022-23.
Change in market demand	3	2	6	3	2	6		Regular modelling and business plan reviews, effective recovery processes, and identifying the main reasons for high arrears levels.	Re-test business plan once final account outturn is agreed.	Senior Financial Analyst		Dec-22	To be reviewed as part of the 23-24 business planning process.
									Stress test model as part of business plan.			Completed	Completed as part of the final accounts outturn for 2022-23.
Change in market demand	4	3	12	4	3	12		Regular modelling and business plan reviews, and effective recovery processes.	Benchmark on rent collection rates.	Income and Sustainment Manager	Strategy and Delivery Manager	Dec-22	Benchmarking completed for 2022-23, annual exercise. Next review to be completed by Dec-22
									Review collection rates and adjust bad debt percentages as part of business plan.		Senior Financial Analyst	Completed	Action completed.
Poor void management processes and reporting	5	3	15	5	3	15		Improved void management processes and reporting.	Agree void turnaround targets as part of the business plan.	Voids Manager	Strategic Support Officer	Completed	Completed: void turnaround targets agreed as part of SLA. Improvement plan was presented at the March Baoard meeting and is being implemented.
									Review impacts of voids team restructure			Oct-22	Next voids update report to come to October 2022 Board, deadline changed accordingly
Uncertainty on investment requirements in stock	5	5	25	5	5	25		Development of a costed asset management plan with viable options.	Develop long-term asset management and investment plan, incorporating the impact of the climate change agenda.	Head of Property Services	Strategy Delivery Manager	Mar-23	Stock condition and energy performance surveys now commissioned; survey work to be completed by October 2022
Estimates for works are unaffordable; works require decanting of residents	1	2	2	1	2	2		An option which restores FWH's financial viability has been approved by the Council's Cabinet	Work with Brent Council to carry out resident consultation, agree timescales and implement agreed solution.	Head of Property Services	Strategy Delivery Manager	Completed	Company auditors Grant Thornton have raised a number of queries with the draft accounting treatment paper for Granville New Homes. FWH has prepared responses, and are awaiting feedback from the Council before submission. Once this is finalised, the risk will be closed
Delay in invoicing transactions to FWH	5	2	10	5	2	10		Fully set up Oracle for the companies, and transfer all suppliers to direct billing.	Set up fully independent company finances as part of Oracle Cloud to allow direct payments.	Senior Financial Analyst		Oct-22	Core systems are now set up. Discussions to be held with Wates on direct billing. Update to be provided at next risk register review in October.
The Company fails to set up suppliers and make payments in a timely manner	5	2	10	5	2	10		Fully set up Oracle for the companies, and transfer all suppliers to direct billing.	Set up fully independent company finances as part of Oracle Cloud to allow direct payments.	Senior Financial Analyst		Oct-22	Core systems are now set up. Discussions to be held with Wates on direct billing. Update to be provided at next risk register review in October.
Poor internal controls, or lack of compliance with these	2	3	6	2	3	6		Annual review of internal controls.	Carry out review of internal controls with SLA leads and agree resulting set of actions. Internal controls review to be presented to a future Board meeting.	Strategic Support Officer		Apr-22	Action overdue: review of governance arrangements, including internal controls, agreed at Board meeting in June 2022
Policies and procedures fail to meet regulatory requirements or are not complied with	2	3	6	2	3	6		Annual review of economic regulatory requirements and compliance with these.	Implement actions from compliance project plan presented at June Board meeting.	Strategic Support Officer		Feb-23	Action overdue: review of governance arrangements, including internal controls, agreed at Board meeting in June 2022. An update on the compliance project plan will be included as part of 2023-24 business planning
Policies and procedures fail to meet regulatory requirements or are not complied with	2	3	6	2	3	6		Annual review of consumer regulatory requirements and compliance with these.	Implement actions from compliance project plan presented at June Board meeting.	Strategic Support Officer		Feb-23	Action overdue: review of governance arrangements, including internal controls, agreed at Board meeting in June 2022. An update on the compliance project plan will be included as part of 2023-24 business planning

Trigger	Previous			Updated			Risk Trend	Mitigation	Actions	Owner	SLA Lead	Due Date	Action Update
	Likelihood	Impact	Score	Likelihood	Impact	Score							
The supply chain is not effectively managed	2	3	6	2	3	6		Clear service standards, regular performance management and engagement with supply chain.	None - monthly SLA monitoring meetings reinstated and reporting of customer satisfaction to Board.	Strategy Delivery Manager		N/A	
A lack of clear service standards and complaints management procedures means complaints are not effectively dealt with	2	3	6	2	3	6		Clear service standards and monitoring of complaints performance.	None - complaints policy in place.	Strategic Support Officer		N/A	



The Audit Findings for First Wave Housing Limited

31 March 2022

20 September 2022

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FTSE 100 are
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20 September 2022

Dear Sirs

Audit Findings for First Wave Housing Limited for the year ended 31 March 2022

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with the Board.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at www.grantthornton.co.uk/en/about-us/leadership-and-governance/transparency-report/

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Stephen Dean

Director
For Grant Thornton UK LLP**Chartered Accountants**

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Status of the audit and Audit opinion

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.



- Specific queries and certain sample items to be resolved: debtors, creditors, property additions, revenue, and expenses
- Journals testing of selected items
- Going concern review
- Final accounts reviews
- Letter of representation and subsequent events confirmation

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Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

Our anticipated audit report opinion will be unmodified

Observations in respect of significant risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

- Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue

Auditor commentary

- The audit work we performed was:
 - Reviewing of revenue recognition policies.
 - Performing a walkthrough to confirm our understanding of the processes and controls through which the business initiates, records, processes and reports revenue transactions.
 - Agreeing a sample of the rental income to the supporting rent agreements.
 - Reviewing income generating activities and perform sample testing on material other revenue streams by agreeing a sample of transactions to supporting documentation.

Findings and conclusion

- The sample testing is not yet complete but to date no issues have been noted

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2

Management override of controls and system change

- Under ISA 240 (UK) there is a presumed risk that the risk of management over-ride of controls is present in all entities.
- In the middle of the financial year the accounting system was changed from Oracle R12 to Oracle Cloud which constituted a significant system change and created an opportunity for management override of controls and a greater risk of error.

Auditor commentary

- The audit work we performed was:
 - reviewing of accounting estimates, judgements and decisions made by management
 - Valuation of properties (see page 7)
 - testing of journal entries using risk scoring analysis
 - reviewing of unusual significant transactions
 - Understanding changes in controls arising from the change in the IT system through inquiry and journal walkthroughs
 - Agreeing the closing balances in R12 to the opening balances in Oracle Cloud and reconciling the transactions in both systems to the financial statements

Findings and conclusion

- Undertaking the change in system mid year created difficulties and the need for a number of management adjustments. Misstatements were not found in the financial statements arising from the change in system but numerous meetings and management amending working papers was required for them to demonstrate the transactions did reconcile.
- The journals generated for testing were taken from the combined transaction listing of R12 and Oracle Cloud but this created problems so the ledgers were then analysed separately. This testing of journals is not yet complete.

Observations in respect of significant risks (continued)

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Risks identified in our Audit Plan

Valuation of social housing and investment properties

- As a matter of accounting policy, the company holds its housing properties at valuation. This is measured on an existing use for social housing basis. The investment properties are also held at valuation on an open market basis. Both require significant judgement and there is a risk that these revaluation measurements are materially misstated.
- The prior year accounts included a revaluation of the Granville Blocks from £12m to £nil. However, in the current year, the blocks have been split between the social units with a residual value after remediation works of £nil and the intermediate rented units with a residual value of £3.53m after remedial works. This raised the challenge whether the smaller Cash Generating Units should have been identified in the prior year, and whether a prior period adjustment is required.

Commentary

Auditor commentary

- The audit work we performed was:
 - Obtained copies of the valuations prepared by management's expert and corroborated the key inputs.
 - Used an internal expert employed by Grant Thornton to assist with the audit of investment properties.
 - Considered the credentials and independence of the valuers and discuss with them their key assumptions and compare these to available market data.
 - Reviewed management's reconciliations between rental data, revenue recorded during the period, and information provided to the valuers.
 - Held discussions with valuers to ensure that the valuations have been prepared according to the RICS 'red book' standards, and the requirements of FRS 102, as well as on a consistent basis with prior periods.
 - Reviewed the prior year revaluation due to the Granville Blocks remedial works required assessing management's judgment over the challenge smaller CGUs should have been identified.
 - Reviewed the subsequent events disclosure in regard to the transfer of the Granville Blocks units to Brent Council and i4B on 4 April 2022. Also reviewed the disclosure on the debt refinancing with the Council on 1 April 2022 in the subsequent events note undertaken at the same time as the transfer of properties.

Findings and conclusion

- On the prior year full impairment of the Granville Blocks, we have been determining whether it constituted an error of £3.53m as some intermediate rental units in the block were subsequently disposed of for this sum to i4B Holdings Limited. Our work is not yet complete but as the decision to consider separating the units and selling them separately was made after the 2021 financial statements were signed, management are confident the accounting treatment in the prior year was correct.
- No issues have been noted in the work on the current year valuations.

Observations in respect of other risks

Going concern commentary

Management's assessment process

Management have produced a detailed business plan and budget, which included a 5 year financial forecast.

They have used this to model their expected cashflows and profit for the going concern period (12 months from the expected date of signing).

Auditor commentary

Our work has consisted of:

- Reviewing management's forecasts and budgets and comparing to the audited results for the current year;
- Reviewing the impact of COVID-19 on the rental income collected during the current year and any impact on the forecast period to date;
- Reviewing the sensitivities produced by management and considering their adequacy;
- Considering whether rising costs have been sufficiently incorporated in the forecasts and the extent of their possible impact;
- Assessing the stress testing in management's forecast and the reverse stress test in what would create material uncertainty and how this is mitigated; and
- Testing the mathematical accuracy of the forecasts.

We have noted that the Company is reliant on the continued funding and support of the London Borough of Brent (for example the SLA and debt agreement). We have therefore requested that management obtain a letter of support from the London Borough of Brent.

Our work is not complete.

Other findings – significant matters discussed with management

Significant matter

Commentary

1

Significant events or transactions that occurred during the year

- The change in the accounting system mid year from Oracle R12 to Oracle Cloud created complexity in ensuring all the transactions were correctly included. This has been documented in the Significant risks management override of controls section.



Auditor view

- This is a one off event and we have assurance from reconciling the transactions to the financial statements that the transactions as provided are complete.




Management response

- This finding is acknowledged

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Turnover comprises rental income receivable in the year. Rental income is recognised from the point when properties become available for letting, net of voids. The Company operates both fixed and variable service charges based on the services received by each property. All income is recognised on a receivable basis. 	<ul style="list-style-type: none"> The accounting policy is appropriate under the accounting framework The disclosure of accounting policy is adequate 	
Going concern	<ul style="list-style-type: none"> The is a registered housing provider owning 329 properties at 31 March 2022 with a net book value £55.8m the funding for which is fully provided by the Council through loans of £35.1m secured against these properties. The Council has confirmed in writing, of its intention for FWH to remain as a going concern for at least twelve months from the date of approval of the annual report and financial statements. The Directors have reviewed the forecasts and have a reasonable expectation that the company will continue to operate as a going concern for the foreseeable future. 	<ul style="list-style-type: none"> The policy is appropriate under the accounting framework We have suggested improvements in the disclosure of the going concern policy in regard to disclosing the assumptions and stress testing undertaken which are in progress. 	
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Provision for doubtful debts on rental income: this provision requires management's best estimate of the likely rent collection rates based upon past experience and trends. Valuation of properties: The intermediate rented properties have been classified as social housing properties and were valued by JLL as at 31 March 2022 on the basis of existing use value - social housing (EUV-SH) with special assumptions. The special assumptions are those applied to the 15 year term that departs from EUV-SH to reflect the nature of the Company's holding for the properties purchased with a grant, assuming market rents with rental growth capped at RPI and allowing for sales. 	<ul style="list-style-type: none"> The policies are appropriate under the accounting framework The estimates are undertaken in an appropriate way and the properties estimate has been tested as described in the significant risks section and for doubtful debts the assumptions have been assessed have been tested and whether the provision is reasonable and sufficient substantively tested. The adequacy of the disclosure of the accounting policy is to be confirmed. 	TBC

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none">We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures
2	Matters in relation to related parties	<ul style="list-style-type: none">We are not aware of any related parties or related party transactions which have not been disclosed
3	Matters in relation to laws and regulations	<ul style="list-style-type: none">The principal laws and regulations with which the company complies include the Housing SORP 2018 update, United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, the Accounting Direction for Private Registered Providers of Social Housing 2022, and the NHF Code of Governance 2020. We are not aware of any significant incidences of non-compliance.
4	Written representations	<ul style="list-style-type: none">Representations will be requested from management.
6	Confirmation requests from third parties	<ul style="list-style-type: none">We requested a year end bank balance confirmation from Natwest, which was received.
7	Disclosures	<ul style="list-style-type: none">Our review found no material omissions in the financial statements

Internal controls - Oracle Cloud controls assessment findings

1	Assessment	Issue and risk	Recommendations
		<p>Segregation of duties conflicts between finance and system administration roles in Oracle Cloud.</p> <p>Our audit identified the following segregation of duties conflicts for users in Oracle Cloud:</p> <ul style="list-style-type: none"> A Senior Finance Analyst had access to the Application Implementation Consultant and IT Security Manager roles. A Senior Finance Analyst had access to six Brent L3 Support roles. The Head of Finance had access to the IT Security Manager role. Five finance users who had access to the Financial Integration Specialist role (we note that this access was revoked on 14 April 2022). 13 members of the Payroll team and four members of the Learning and Development team who had access to the Brent HCM Application Administrator role. 	<p>It is recommended that the Council, on behalf of FWH, undertakes a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p> <p>Furthermore, the Council should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.</p> <p>Management response</p> <ul style="list-style-type: none"> This finding is acknowledged and Brent have since implemented a plan to remove the security roles from the users post 31-Mar-2022 and this is being tracked to ensure sufficient controls are in place to avoid this risk in the future. A review will be carried out to assess the feasibility of building custom roles and taking into account cost, time and expertise needed to build these in time for the 2022/23 year end process.
		<p>The Council confirmed that some of these users required this level of access to complete the closedown process for the production of the financial statements.</p> <p>Risk</p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p>	

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

Internal controls - Oracle Cloud controls assessment findings (continued)

Assessment	Issue and risk	Recommendations
2	<p>Lack of audit logging in Oracle Cloud.</p> <p>Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled.</p> <p>Risk</p> <p>Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p>	<p>It is recommended that the Council, on behalf of FWH, implement audit logging for financially critical areas including, but not limited to:</p> <ul style="list-style-type: none">• Accounts Payable (including Suppliers);• Cash Management;• Accounts Receivable; and• General Ledger. <p>The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations.</p> <p>Management response</p> <ul style="list-style-type: none">• This finding is acknowledged and a review will be carried out on the impacts of turning on audit logging for these areas in terms of cost, system performance and dependencies.

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"The purpose of an audit is for the auditor to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK) 265)

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<ul style="list-style-type: none"> It was noted in the prior year there were multiple iterations of the financial statements due to errors or inconsistencies. 	<ul style="list-style-type: none"> No such issue was found in the current year.
2	✓	<ul style="list-style-type: none"> It was noted in the prior year properties are not split into their components, such as structure and roof etc, which is required under the Housing SORP 8.16. 	<ul style="list-style-type: none"> As properties are all shown at fair value and do not have accumulated depreciation, component accounting will not make a material difference and so is not required.

Adjusted misstatements

There are no adjusted misstatements in the current year.

Unadjusted misstatements

There are no unadjusted misstatements in the current year, and there were none in the prior year.

Independence and ethics

Independence and ethics

- 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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Fees and non-audit services

The table below sets out the total fees for audit for the current year. There are no non-audit services provided to the company.

	Fees £	Threat identified	Safeguards
Audit of company	31,000	n/a	n/a

- None of the above services were provided on a contingent fee basis
- For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to First Wave Housing. No non-audit services were identified
- The fees reconcile to the financial statements.

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This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (ES 1.69)

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to **ensure** our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Appendix A: Delivering audit quality – proven success in regulatory inspections

The Financial Reporting Council (FRC) published the findings of its annual Quality Inspection of our firm, alongside the six other 'Tier One' auditing firms in the UK, on 20 July 2022.

Our results

- We're the first firm to ever be awarded the highest quality grading for 100% of files reviewed
- For the second consecutive year, we have the highest proportion of audits with the top-quality grades out of the seven major firms
- [Click here](#) to see FRC's latest inspection report into our firm. The graph to the right shows Grant Thornton is the only firm to have all files reviewed in the highest quality grading bracket awarded ("Good or limited improvements required").

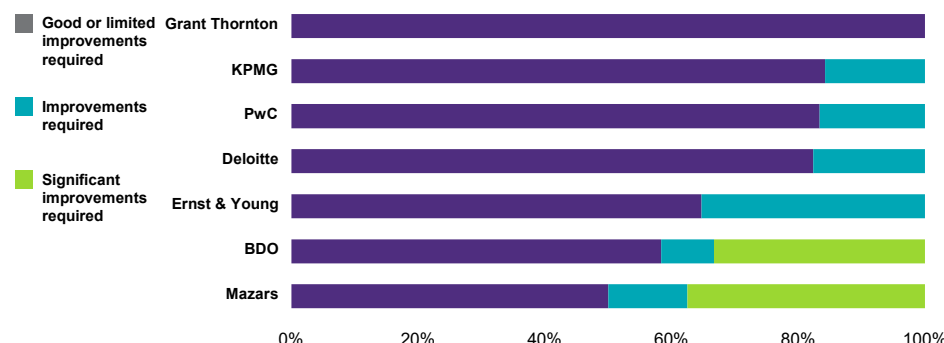
Continued commitment to audit quality

- We continuously evolve our audit practice, so we deliver quality against the backdrop of continually evolving scrutiny and challenge, whilst ensuring we exceed client stakeholder expectations. The past two FRC inspection results are evidence of this.

Our commitment to quality, includes us continuing to:

- **hold ourselves accountable.** It's what our Audit Quality Board, with external audit experts, **does**
- **challenge management.** It's part of our approach – to robustly explore areas that are complex, significant or highly judgmental, for example, certain accounting estimates, going concern evaluations, revenue recognition and other such areas
- **challenge ourselves.** It's why we have a continuous improvement approach focussed on how we can be even better year on year, in technical skills, project management skills, digital, culture, and working as effectively as possible with you
- **invest, significantly.** It's why we have centres of excellence and an Audit Quality Academy, and have grown and developed our IT audit and Digital Audit Technology practices

FRC's Audit Quality Inspection and Supervision Report Findings 2021-22 (%), July 2022



What has the FRC said about us?

Our firm is immensely proud of the "good practice" areas highlighted by the FRC:

- Detailed reporting and effective communication with Audit Committees
- Robust challenge and scepticism to Management's accounting around complex areas, particularly around impairment and journals
- Discussions with those outside of the finance team to provide broader audit evidence and insight

In our recent reports, our internal use of specialists and approach to use of data analytics has also been highlighted by the regulator; both of which remain integral to the success of our results and approach to quality.

Appendix B: Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

- ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This will impact audits of financial statement for periods commencing on or after 15 December 2021.

- ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
- ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none">• the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures• the identification and extent of work effort needed for indirect and direct controls in the system of internal control• the controls for which design and implementation needs to be assess and how that impacts sampling• the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none">• increased emphasis on the exercise of professional judgement and professional scepticism• an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence• increased guidance on management and auditor bias• additional focus on the authenticity of information used as audit evidence• a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none">• Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none">• clarification of the requirements relating to understanding fraud risk factors• additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

Appendix B: Auditing developments (continued)

Other standards

There are also changes to International Standard for Review Engagements (ISRE) (UK) 2410 (May 2021) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' and this will impact period commencing on or after 15 December 2021. The key changes to the ISRE are included below:

Impact of Key Changes

Management / those charged with governance


The clarification of the requirements for directors to assess going concern when preparing interim financial information required by the accounting standards may result in an increased work effort for management in preparing its interim financial information.

Auditors

Additional interim procedures are required in respect of

- updating the understanding of the entity and its environment from the previous audit or interim review, including specific factors to be considered
- strengthening the review procedures to be performed over management's assessment of the entity's ability to continue as a going concern. This change results in 'audit type' procedures being performed over going concern in a review engagement.

Revised review report to include an explicit statement regarding matters, if any, that have come to the auditor's attention that causes the auditor to believe it is not appropriate for the entity to adopt the going concern basis of accounting for the interim financial statements.

	Audit and Standards Advisory Committee 29 September 2022
	Report from the Strategic Director of Regeneration and Environment
Emergency Preparedness Update	

Wards Affected:	All
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	0
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Daryl Jooste Civil Contingencies Manager 0208 937 5415 daryl.jooste@brent.gov.uk

1.0 Purpose of the Report

- 1.1 At the January 2018 Audit Advisory committee, it was resolved that an Emergency Preparedness item be added to the forward plan to be discussed annually going forward. This report briefly outlines the progress made since the 2021 report, details the type and number of incidents in Brent and provides some information around initiatives and programmes of work under way to enhance our resilience and response arrangements.

2.0 Recommendation(s)

- 2.1 Consider and note the information contained in this report

3.0 Detail

3.1 Emergency Shelter & Accommodation

- 3.1.1 Since the last report in July 2021, Brent has stood by an emergency shelter (Rest Centre) for persons displaced from emergencies on 5 occasions; proceeding to full activation for 4 of these incidents with a total of 56 residents supported. This is slightly fewer full activations than the typical annual average however, due to the pandemic and the risks of co-mingling households in a communal venue (although permissible by law in an emergency), the decision to avoid opening a rest centre where at all possible

and instead place affected homeless residents directly from the scene into hotel accommodation was seen as prudent. No difficulties in securing an emergency shelter venue, arranging transport to and from the venue and calling out response staff were encountered.

- 3.1.2 Securing alternative emergency accommodation (hotels) has proved difficult in 2 of these incidents with a number of hours spent trying to find available rooms, although ultimately available rooms were found in the local area. These delays have coincided with major sporting events in Wembley and London where rooms have been booked by event-goers. To avoid this situation in future, Emergency Planning is considering enlisting the services of a specialist accommodation bureau who provide accommodation availability and booking services to councils, housing associations, airlines and insurance companies as their core business, 24/7.

3.2 Emergency Response Staff

- 3.2.1 Emergency Response Officers are volunteers drawn from staff across the organisation. Currently there are 23 staff who undertake duties according to a call out rota (down from 30 a year ago). A recruitment campaign will commence shortly to bring the numbers back to full strength.

3.3 Enhancement of contact arrangements

- 3.3.1 The council has the ability to put in place a dedicated emergency helpline during incidents as an adjunct to the routine 24/7 in and out of hours contact arrangements. This helpline may take a few hours to arrange in terms of staffing etc. Something more rapidly deployable is needed in the first few hours, particularly in “wide area”/rapid onset emergencies, where there are multiple incidents/occurrences over a large area (e.g. surface water flooding, severe weather etc) and where the council is unable to attend each individual occurrence to assess the situation and link in with residents to provide advice or further support.
- 3.3.2 Based on experience during the flooding events of July 2021, routine telephonic contact arrangements of all the emergency services, including the council, quickly become overwhelmed by the volume of calls. This hinders the response time since issues can only be passed to the team dealing as quickly as they can be taken by the call handlers. To simplify the contact arrangements, avoid long call queuing times and allow direct contact with the team dealing, a Resident Assistance Request Form has been developed with the intent that the link to the form will be published on line during an emergency, inviting self-reporting of an issue and, on submission by the reporting party, is automatically sent directly to the Borough Emergency Control Centre for action. It is acknowledged that residents who are not digitally enabled will still have to rely on telephonic reports and use of an electronic form will not reduce the number of reports in total (however the speed at which they reach the team dealing is much reduced). A team of volunteer staff are currently being trained on this new methodology to enable swift triage of these electronic reports and to make call backs with further signposting/offers of support to residents who make contact this way.

3.4 Incidents

- 3.4.1 There have been 17 incidents since the last report (not including the pandemic) that have warranted a response by Emergency Planning. Of those, 13 caused the Silver (senior manager) level to be notified. This demonstrates that Brent's operational arrangements are adequate in dealing with the types of incidents faced to date and align with the UK's Response Doctrine principle of subsidiarity. Gold (Chief Executive/Strategic Director) level was informed in most cases for information and exercised their Gold Functions in 5 instances (for approval of expenditure, setting of strategy and direction of resource). Again, this aligns well with the subsidiarity principle.

A summary table of incidents is below:

05/08/2021	Burst pipe - single dwelling flood	Lexington Key Worker Block	Liaison with 2 residents affected - arranged hotel for both temporarily. BHM to deal with repair etc to allow reoccupation
12/08/2021	Fire - restaurant & hotel	529 High Rd, Wembley	Attended scene and liaised with emergency services. RC opened at nearby church. Accommodated 8x persons from hotel until arrangements were made the following day via insurance
18/08/2021	Fire - shop with flats above	383 High Rd, Wembley	Attended scene and liaised with emergency services. RC stood by nearby. Social media infor posted re road closures. Residents allowed to return once fire on ground floor shop extinguished and checks made. Referred to PHS as possible HMO discovered above shop.
18/08/2021	Fire - single flat	2 Grand Parade, Forty Ave, Wembley	Attended scene and liaised with emergency services. Fire confined to single flat on first floor. Landlord and managing agent in attendance and will deal with any accommodation needs and repairs. NFA
11/09/2021	Flood (plumbing)	Manor Court, Wembley	Liaised with Residents Assoc chair once notified. Rehoused 1x family of 5 in hotel for the night. Liaised with BHM re repairs and restoration of electrical supply (interruption approx 12-18 hours). Power restored following day. Passed to BHM to continue support to residents.
20/10/2021	Amber Warning Rain	London & SE	Severe Weather Group placed on alert and warnings issued, stood by Silver, CCTV, OOH call centre. Monitored alerts and retweeted warnings
Oct/Sep 2021	National Fuel Disruption	Nationally	Business Continuity Plans activated. Demand calming measures activated. Local Fuel Plan activated. Daily ring round of petrol stations and notification to services re availability via live tracker.
06/11/2021	Pump failure-water outage	South Kilburn	Liaison with BHM and call centre. Arranged delivery of pallets of bottled water and stood by a council team for distribution door-to-door. Stood down before deployment due to confirmation that water had been restored
23/12/2021	Lyon Park	Wembley	Attended scene. Rest Centre opened for 6 people. Emergency Accommodation arranged for those unable to return. Liaison with BHM and insurer regarding repairs and ongoing alternative accommodation via insurance policy
07/02/2022	Willesden High Rd	Willesden	Attended scene, liaison with emergency services. Hotels arranged for 9 households accommodation overnight. 8 households allowed to return following day. 1x remaining household significant damage referred to Housing Needs service for accommodation support
16/02/2022	Storm Eunice	Nationwide	Opened BECC. Distributed weather warnings. Coordinated and plotted responses to fallen trees and damaged property. Reporting to LLACC accordingly

28/02/2022	Preston Rd Fire	Wembley	Attended scene, liaison with emergency services. Opened RC for 30. Most person allowed home. Rehoused via referral those who could not return (2x households)
11/03/2022	A406 fatal RTA	Neasden	Attended scene, liaison with emergency services. Crime scene in situ. Property unlikely to be habitable due to structural damage. Opened RC for 9. Hotels for all affected until new accommodation arranged privately approx. 10 days post-incident
20/04/2022	Fire - Mitchell Way	St Raphs	Attended scene-liason with Emergency Services and Family. Arranging own accomm. Remained with minors until family members arrived as parents taken to hosp
07/05/2022	Fire - 45 Braemar Ave	Wembley	NHP attended scene. EP assisted ASC place 2 vulnerable persons (MH) in local hotel and ensured follow up by ASC on the Monday.
16/05/2022	Fatal gas leak 340 High Rd	Willesden	Attended scene. Crime scene in place. Offered accomm to affected tenant- accepted, housed for 6 nights in hotel until alternative offer via Housing Needs. Liaison with police, HSE and Private Housing due to crime scene and investigatory requirements around safety of appliances.

4.0 Financial Implications

4.1 Nil

5.0 Legal Implications

5.1 Nil

6.0 Equality Implications

6.1 Nil

7.0 Consultation with Ward Members and Stakeholders

7.1 N/A


8.0 Human Resources/Property Implications (if appropriate)

8.1 N/A

Report sign off:

Alan Lunt

Strategic Director of Regeneration
and Environment

	Audit and Standards Committee 29 September 2022
	Report from the Director of Finance
Statement of Accounts 2021/22	

Wards Affected:	ALL
Key or Non-Key Decision:	KEY
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	
Background Papers:	
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ben Ainsworth, Head of Finance

Summary

- 1.1 The Audit Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual statement of accounts. The basis for this consideration is the “report to those charged with governance” also referred to as the ISA260 report. The Council’s external auditors, Grant Thornton, produce the report following completion of the audit of accounts. The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. It also provides the findings from the value for money conclusion for the year.
- 1.2 The infrastructure issue, which was noted by the committee in June 2022 still has not been resolved. Currently, the Department for Levelling Up, Housing and Communities is considering legislative prescription to resolve the issue.
- 1.3 At the time of writing this report Grant Thornton are in the process of completing the audit of the 2021/22 accounts and their ISA260 report, reflecting the current position, will follow and be reported on the same agenda as this report. Based on the current position Grant Thornton intends to complete the audit of Council and Pension Fund accounts shortly, with the exception of the Infrastructure

assets, which will be paused until there is a definite conclusion on this, which is likely to require legislative change.

- 1.4 Representatives from Grant Thornton will attend the meeting to provide an update on the audit and respond to any matters raised by the Committee.

2.0 Recommendations

- 2.1 The Committee note that the audit will be paused whilst the infrastructure issue is addressed by CIPFA and the Department for Levelling Up, Housing and Communities.
- 2.2 The Committee is asked to review the report to those charged with Governance from Grant Thornton and:
 - consider the key issues and recommendations
 - consider the corrected audit differences
 - delegate approval of the draft letter of representation to Grant Thornton to the Director of Finance
 - delegate the approval of the Statement of Accounts to the chair of the Audit and Standards Committee subject to the agreed adjustments being made and an unqualified audit opinion

3.0 Detail

Statement of Accounts

- 3.1 The draft statement of accounts for 2021/22 was published on the council's website on the 4th July, three weeks before the deadline required by statutory regulation (31st July).
- 3.2 The issue on infrastructure is that many local authorities, including Brent, do not have sufficient information on their highways infrastructure to comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting. In particular the code requires that asset values are derecognised when an asset is replaced, for example when old traffic lights are replaced by new traffic lights, but local authorities generally do not have sufficient historical information to determine the current age or value of highways assets that are being replaced. This makes it impossible to satisfy the auditors that the value of highways infrastructure are materially correct under the code.
- 3.3 The audit of the accounts commenced in July, and under legislation should be completed by the 30th November. At the time of writing, audit fieldwork is substantially complete. However, as the Infrastructure issue is expected to require legislative change to resolve, the auditors will not be able to issue an unqualified opinion on the accounts until this change is implemented. The auditors will also have to review the accounts in light of any legislative change. It is therefore expected that the audit will be paused to await this legislative change.

- 3.4 The ISA260 report presented to the Audit and Standards Advisory Committee sets out the anticipated results of the audit with the following key points being:
- Unqualified audit opinion, subject to further work on Highways Infrastructure
- 3.5 As a result of the audit a number of adjustments to the accounts have been agreed by council officers and Grant Thornton and will be detailed by the combination of the auditor's written and verbal reports to the Audit and Standards Advisory Committee.
- 3.6 There are a number of recommendations from Grant Thornton for how the Council's processes can be improved in future years. Officers will be putting these recommendations into effect with a revised plan for closing the 2022/23 accounts.
- 3.7 The Value for Money audit work has only been started by the auditors recently, and will be reported to the Audit and Standards Committee at a later date.

Publication of Statement of Accounts

- 3.6 The Council is required to publish the 2022/23 accounts by 30th November. Achieving this is dependent on legislative change to address the infrastructure issue and is at risk of being delayed due to requirement for legislative change and the need for further review of the accounts by the auditors following this change. If the accounts are published on after this date, then the sanction is that it will be reported that the council missed this deadline. It is expected that many authorities will take a similar approach to Brent and delay final publication of the accounts until this issue is resolved in order to publish an unqualified set of accounts.
- 3.7 Once the audit has been completed a Letter of Representation needs to be signed prior to Grant Thornton issuing an audit opinion. The letter will be drafted once the infrastructure issue is addressed.

4.0 Financial Implications

- 4.1 There have been some adjustments to the Statement of Accounts during the course of the audit. None of these have significantly impacted on the medium term financial position of the Council.

5.0 Legal Implications

- 5.1 No specific implications.

6.0 Equality Implications

- 6.1 No specific implications.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable

Report sign off:

Minesh Patel
Director of Finance

The Audit Findings for London Borough of Brent

Year ended 31 March 2022

London Borough of Brent
September 2022
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Contents



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Section

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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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Standards Committee.

Name : Ciaran McLaughlin

For Grant Thornton UK LLP

Date : 13 September 2022

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the London Borough of Brent ('the Council') and the preparation of the [group and] Council's financial statements for the year ended 31 March 2022 for those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely and onsite during June to September. Our findings are summarised on pages 5 to 22. We have identified 3 adjustments to the financial statements that have resulted in a £4.260m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work, which are set out in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Except for the resolution of the national issue on accounting for Infrastructure Assets, our work is on track to meet the 30th September deadline subject to the satisfactory completion, audit manager and engagement lead review of the outstanding work below;

- Other Land and Buildings, Council dwelling and PFI assets – We are waiting for evidence from the Council's valuation expert (Wilks Head and Eve) for responses to our follow up queries. We are also waiting for evidence from the Council to complete the additions testing.
- Journals, debtors and creditors- waiting for evidence and responses to follow up queries from the Council on samples selected.
- Income and expenditure including grants and payroll – Waiting for evidence from the Council and responses to our follow up queries.
- MIRS and Financial Instrument , prior period adjustments and other points arising from the hot review of the draft financial statements – review of the updated set of accounts to ensure the points identified have been addressed.
- Completeness testing of transactions around the year end – waiting for evidence for samples selected
- receipt of management representation letter ; and
- review of the final set of financial statements.
- Subsequent events confirmation.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

VFM work is scheduled to be undertaken this year in September and October. We have not identified any significant weaknesses at this stage

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 30 November 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in November 2022 and WGA work.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ("the Code"). Its contents have been discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group business and is risk based, and in particular included:

- An evaluation of the group internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the Council's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that analytical reviews were required for each component; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 20 September 2022. The outstanding items, that is those over and above the national issues around accounting for infrastructure assets, are detailed on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our audit plan presented to the Audit and Standards Committee, during the course of the audit both your finance team and our audit team faced audit challenges again this year, such as physical verification of assets, verifying the completeness and accuracy of information, obtaining transaction listings as a result from the new system implementation. This resulted in us having to do additional work as noted on page 48 to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements



Our approach to materiality

The concept of 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.

We have revised the materiality amount to reflect the decrease in gross expenditure for financial year 2021-22. For planning purposes, we used the gross expenditure for financial year 2020-21 as the figures for financial year 2021-22 had not yet been made available.

We have also revised the performance materiality percentage from 75% to 70% of materiality to reflect the increased risk due to cash reconciliation issues resulting from the new system implementation as identified by our IT team.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,005,000	16,000,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective to provide services to the local community, therefore gross expenditure was deemed the most appropriate benchmark. This benchmark was used in the prior year also. We considered 1.5% to be an appropriate rate to apply to the gross expenditure benchmark for both the planning and year end materiality. Planning materiality was £17.072m for the group and £16.9m for the Council.
Performance materiality	11,203,500	11,200,000	Performance Materiality is based on a percentage (70%) of the overall materiality. The planning performance materiality was £12,804 for the group and £12.675m for the Council. They were calculated at 75% of overall planning materiality for the group and the Council respectively.
Trivial matters	800,250	800,000	This balance is set at £800k being 5% of the overall materiality. Triviality for the group and the Council at planning were £853k and £845k respectively. They were both calculated at 5% of the overall materiality at planning for the group and the Council.
Materiality for senior officers' remuneration and related parties	800,250	800,000	Senior officer remuneration and related parties are areas of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes. At planning, they were £853k for the group and £845k for the Council.



2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the group and Council, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness
- reviewed and tested transfers between the General Fund and HRA and inter group journals

Our work is on going and to date we have not identified any significant issues. Our work is substantially complete subject the outstanding work on journals as summarised on on page 3.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Fraud in expenditure recognition

As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

We have:

- inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period
- inspected 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
- investigated 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.

We identified from our completeness testing that the Council has recognised the full invoice amount of £755k for an insurance policy which relates partially to both 21/22 and 22/23 as an expenditure in 21/22. This means that the Council has overstated expenditure in 21/22 by £377k. We have extrapolated the error over the population tested and there is a projected misstatement of £2.47m. This has been recorded on the unadjusted error schedule at appendix C.

Our work is on going and to date we have not identified any other issues to bring to the attention of the Audit and Standards Committee apart from the point noted above. We will update the Committee once the work is completed.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

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 (£2,320m) as at 31 March 2022 and the sensitivity of the estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2022 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with and written to the Wilks, Head and Eve (the valuer) to confirm the basis on which the valuation was carried out
- engaged our own valuer expert, Gerald Eve, to provide commentary on:
 - the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and
 - the valuation methodology and approach, resulting assumptions adopted and any other relevant points.
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they have been input correctly to the Council's asset register
- evaluated 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.

We noted that the assets were valued as at 1 April 2021 and management applied indexation to estimate the values as at 31 March 2022. This indexation was not formally certified by the Council's valuer (Wilks Head and Eve). This is a departure from the requirements of the Code of Practice, however we are satisfied that it does not lead to material misstatement in the valuation of land and buildings. We have added a control point in the action plan in Appendix A recommendation that the Council obtain a formal valuation certified by their valuer when they apply indexation to determine the year end valuation of land and buildings.

Our work in relation to this significant risk is ongoing, however, to date we have not identified any significant issues. We will draw a conclusion of valuation of land and buildings once the audit work has been completed and we will update the Audit and Standards Committee if there are any further matters to be brought to your attention..

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£722m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have:

- updated 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
- evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- tested 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
- undertook 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.

Our initial testing identified a material variance between the pension fund asset values which we expected and the values disclosed in the draft accounts. Our expectation was based on the asset share in the IAS 19 report estimated by the actuary for the year end assets. In order to get assurance over the accuracy over the pension fund asset values disclosed, we requested the management to obtain a revised IAS 19 report based on the actual year end asset values. Our work based on the revised IAS 19 report did not identify any material variances between our expectation and the pension fund asset value in the draft accounts.

Our work on the Pension Fund is substantially complete subject to receiving the IAS 19 assurance letter from the pension fund auditor. We have nothing else to bring to the attention of the Audit and Standards Committee apart from the point noted above.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

New System Implementation

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

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.

Given the nature of this transition, we have identified a risk of material misstatement in relation to the system migration, at financial statements level.

We have:

- performed detailed testing over security management, technology acquisition and infrastructure as well as development and maintenance
- evaluated 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
- reconciled opening balances at month seven to closing balances at month six, including reconciliations of the general ledger, accounts payable, accounts receivable and assets
- reviewed manual capital accounting adjustments between the ledger and the financial statements
- In addition to the above procedures, our IT auditors performed 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.

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.

We have followed up on work which our IT specialist recommended us to do which was to ensure that a bank reconciliation was carried out in both R12 (the old system) and Oracle Cloud (the new system) in the month which the system implementation occurred. We identified there was no bank reconciliation for one of the bank accounts (\$278) on the Oracle Cloud system. We challenged the council on this, and the Council advised us that a reconciliation was not necessary as there was no movement on the accounts. As it is good practice for a reconciliation to be carried out on both the old and new system at the time a system change is implemented, we have included a control point in the action plan in appendix A.

Our work on the New System Implementation is complete. We have nothing else to bring to the attention of the Audit and Standards Committee apart from the point we have raised above.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Council Dwellings

The Council owns 8138 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.

This year the Council has conducted full revaluation of its housing stock as at 1 April 2021 using the Beacon methodology. The valuer reviewed the 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 engaged its valuer, Wilks Head & Eve LLP, to complete the valuation of these properties.

For 2021/22 the year end valuation of Council Housing was £784 m. 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.

We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with or write to the relevant valuer to confirm the basis on which the valuation was carried out
- engaged our own valuer expert, Gerald Eve, to provide commentary on:
 - the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and
 - the valuation methodology and approach, resulting assumptions adopted and any other relevant points.
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- conducted sample testing of Beacon properties to ensure representative properties have been used in the valuation, and correctly applied to other similar properties
- reviewed the estimate against valuation trends of similar properties **within the private property market in Brent and then apply the social housing discount factor.**
- evaluated 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.

Similar to the other land and buildings, the council dwelling assets were valued as at 1 April 2021 and management applied indexation to estimate values as at 31 March 2022 which was not formally certified by the Council's valuer. We have added a control point in the action plan at appendix A recommending that the Council obtain a formal valuation certified by their valuer once indexation is applied.

We have challenged the valuer on the beacon groups and how these groups were identified, reviewing whether the properties within each group reflect the same characteristics as the beacon properties.

Our work in relation to this significant risk is on going and to date we have not identified any significant issues. We will draw a conclusion on the valuation of council dwellings once the audit work has been completed and update the Audit and Standards Committee.

2. Financial Statements - Other Risks Identified

Risks identified in our Audit Plan

Commentary

Valuation of infrastructure assets

Infrastructure assets includes roads, highways, streetlighting and coastal assets. In 2021/22 the Council spent £21m on Infrastructure capital additions. As at 31 March 2022, the net book value of infrastructure assets was £242m which is over 15 times audit materiality. At the time we issued the audit plan in May 2022, we had just identified the value of infrastructure assets as a risk. Since then, the risk has become clearer, and we have refined the risk.

The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. London Borough of Brent has material infrastructure assets, at a gross /net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.

We have

- reconciled the fixed asset register to the financial statements
- used our own point estimate and considered the reasonableness of depreciation charge to infrastructure assets
- obtained assurance that the UELs applied to infrastructure assets are reasonable
- documented 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.

We have gained an understanding of how the council determines the appropriate useful lives for infrastructure assets and how these have been kept under review and applied. The useful lives are reviewed annually, we also understand infrastructure assets are replaced largely at the end of their economic lives. We will continue to review procedures and provide an update to the Audit and Standards Committee once the CIPFA consultation is completed.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,109.7m	<p>Other land and buildings comprises £710.8m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£396.1m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 01 April 2021 on a five yearly cyclical basis. 40% of total assets were revalued during 2021/22.</p> <p>Management has not documented consideration of alternative estimates for the valuation of it land and buildings, and the modern equivalent assets used in the DRC valuations have not changed significantly, which is to be expected given the council's estate.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 01 April 2021, based on the market review provided by the valuer as at 31 March 2022, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.</p> <p>The total year end valuation of land and buildings was £1,109.7m, a net increase of £99m from 2020/21 (£1,010.7m).</p>	<p>The Council's valuer (Wilks Head & Eve) carried out a formal revaluation as at 01 April 2021. As described on page 9, we have raised a control point in the action plan in appendix A that management need to engage their valuers to formally certify the valuation when management use indexation as a method to determine the year end value of land and buildings.</p> <p>We have assessed the valuer to be competent, independent and capable.</p> <p>Our work on this estimate is ongoing and includes ;</p> <ul style="list-style-type: none"> checking the completeness and accuracy of the underlying information used to determine the valuation of land buildings reviewing the consistency of estimate against the GE report checking the reasonableness of the net increase in the valuation of land and buildings checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements. <p>Our work to date has not identified any issue apart from the control point noted above. We will update the Audit and Standard Committees of our findings on completion of our work.</p>	

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

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Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £722m	<p>The Council's total net pension liability at 31 March 2022 is £722m (PY £863m) comprising the London Borough of Brent Local Government Pension Scheme. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £141m net actuarial gain during 2021/22.</p>	<ul style="list-style-type: none">We have assessed the Council's actuary, Hymans Robertson, to be competent, capable and objective.We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019/20 roll forward calculation carried out by the actuary and have no issues to raise.We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	Light Purple																								
		<table><tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>2.7%</td><td>2.70% to 2.75%</td><td><div></div></td></tr><tr><td>Pension increase rate</td><td>3.2%</td><td>3.15% to 3.30%</td><td><div></div></td></tr><tr><td>Salary growth</td><td>3.5%</td><td>Salaries expected to be 0.5% to 2.5% p.a. above CPI inflation. CPI rate 3.15% to 3.30% p.a.</td><td><div></div></td></tr><tr><td>Life expectancy – Males currently aged 45 / 65</td><td>Pensioners: 22.1 years Future pensioners : 23.2 years with a long term rate of improvement of 1.5% p.a.</td><td>Pensioners: 20.1- 22.7 Future pensioners : 21.4 – 24.3</td><td><div></div></td></tr><tr><td>Life expectancy – Females currently aged 45 / 65</td><td>Pensioners: 24.5years Future pensioners : 26years with a long term rate of improvement of 1.5% p.a.</td><td>Pensioners: 22.9- 24.9 Future pensioners : 24.8 – 26.7</td><td><div></div></td></tr></table>		Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.7%	2.70% to 2.75%	<div></div>	Pension increase rate	3.2%	3.15% to 3.30%	<div></div>	Salary growth	3.5%	Salaries expected to be 0.5% to 2.5% p.a. above CPI inflation. CPI rate 3.15% to 3.30% p.a.	<div></div>	Life expectancy – Males currently aged 45 / 65	Pensioners: 22.1 years Future pensioners : 23.2 years with a long term rate of improvement of 1.5% p.a.	Pensioners: 20.1- 22.7 Future pensioners : 21.4 – 24.3	<div></div>	Life expectancy – Females currently aged 45 / 65	Pensioners: 24.5years Future pensioners : 26years with a long term rate of improvement of 1.5% p.a.	Pensioners: 22.9- 24.9 Future pensioners : 24.8 – 26.7	<div></div>
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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £722m		<ul style="list-style-type: none"> We have checked the completeness and accuracy of the underlying information used to determine the net pension liability We have confirmed there were no changes to valuation method We have confirmed the reasonableness of the Council's share of LPS pension assets. We have checked the reasonableness of the decrease in the net pension liability We have checked the adequacy of disclosure of the net pension liabilities in the financial statements. <p>As noted on page 10, our work is substantially complete subject to receiving the IAS 19 assurance letter from the pension fund auditor.</p>	

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Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

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Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing – £784m	The Council owns 8138 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. The Council has engaged Wilks Head and Eve to complete the valuation of these properties. The year end valuation of Council Housing was £784m, a net increase of £122m from 2020/21 (£662m).	<p>We have:</p> <ul style="list-style-type: none"> assessed the Council's valuer, WHE, to be competent, capable and objective. engaged our own valuer expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate. checked the consistency of estimate against near GE report checked the reasonableness of the net in the valuation of council dwellings. checked the adequacy of disclosure of estimate in the financial statements. <p>The council dwellings have been valued as at 1 April 2021 using the beacon methodology. Management have applied indexation to reflect the value of the council dwellings stock at 31 March 2022 using indexes from the valuer's market review. As noted on page 12, we have added a control point in the action plan at appendix A recommendation that the Council obtain a formal valuation certificate when it applies indexation.</p> <p>Our work in relation to this key estimate – valuation of council dwelling is ongoing. Our work to date has not identified any issues apart from that noted above. We will update the Audit and Standard Committees of our findings on completion of our work.</p>	

2. Financial Statements - key judgements and estimates

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Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Valuation of Private Finance Initiative Assets- £176.3m

The Council has entered into three PFI projects which have generated assets to be used by the Council. These are;

A 25 year project to provide, operate and maintain a sports centre and related facilities in Wilsden with the legal title transferring to the Council at the end of the contract

A 20 year contract for the provision and maintenance of social housing, and replacement residential facilities for people with learning disabilities. The legal title transfers to the council at the end of the contract. The Council also controls the residual value of 158 units of housing stock within this contract as it has guaranteed nomination rights

Provision and maintenance of social housing within Stonebridge. The inclusion of the block or flats within this contract was determined by a tenant's vote at the start of the contract.

In 21/22, the Council has engaged Wilks Head and Eve to complete the valuation of the social housing within Stonebridge. The valuer has used the beacon methodology, in which a detailed valuation of representative property types is applied to similar properties. Some of the PFI assets are classified within other land and building and have either been valued using depreciated replacement cost (DRC) e.g. the Wilsden Sports Centre. Some of the other assets are valued on existing use value (EUV) basis.

The year end valuation of Council's PFI assets recognised on the balance sheet was £176.3m, a net increase of £48m from 2020/21 (£128.4m).

We have:

- assessed the Council's valuer, WHE, to be competent, capable and objective.
- engaged our own valuer expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points.
- carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate.
- checked the consistency of estimate against near GE report
- checked the reasonableness of the net increase in the valuation of PFI assets .
- checked the adequacy of disclosure of estimate in the financial statements.
- Checked how management have assurance of the PFI assets which have not been valued in the year.

We have challenged the valuer on the assumptions which they have used in valuation. Our challenges include why the existing use value is reflective of current market value and why the valuer has adopted an adjustment factor of 80% i.e. a discount of 20% to arrive at the EUVSH Value. We are working with both the valuer and management to understand the assumptions which have been used

Our work in relation to this key estimate – valuation of PFI assets is ongoing. We will update the Audit and Standard Committees of our findings on completion of our work.

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Grants Income Recognition and Presentation- £694m

Management's policy states that grants are recognised as due to the authority when there is reasonable assurance that the authority will comply with the conditions attached to the payments, and the grants or contributions will be received.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is recognised as income as soon as the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received.

For this purpose, the Council acts as the principal and credited such grants, contributions and donations to the Comprehensive Income and Expenditure Statement. These mainly comprise of:

- Adult Social Care Improved Better Care Fund
- DCLG - Adult Social Care Support Grant
- DCLG - Revenue Support Grant
- Basic Need Grant - Additional Primary Places
- Business Rate Relief S31 Grant
- Council Tax Admin Grant
- Sales Fees and Charges Grant
- Disabled Facilities Grant
- DWP Flexible Homeless Grant

However, for some grants, The Council is also acting as an agent and does not recognise grant income. The Council has recognised the following grants as agency transactions:

- Department for Business, Energy and Industrial Strategy - Restart Grant
- Covid - 19 Self - Isolation Payment Funding
- Covid - 19 Infection Control Funding
- Department for Business, Energy and Industrial Strategy - Omicron Hospitality & Leisure Grant

The Council has received a number of grants, contributions and donations that have yet to be recognised as income. The have received The DLUHC - Council Tax Energy Bill Rebate - Discretionary Fund- which need to be spent by 30 November 2022. Any remaining funding will be required to be repaid to government.

Work performed during our audit covered the following:

- review of management's judgement of whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all.
- check of completeness and accuracy of the underlying information used to determine whether there are conditions outstanding that would determine whether the grant be recognised as a receipt in advance or income
- the Impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES.
- review of adequacy of disclosure of management's policy around recognition of grant income in the financial statements

We have identified from our work that the Council has incorrectly classified Council Tax Energy Bill Rebate of £13.7m for which Council is acting as an agent as Grant receipt in advance. The Council has agreed to reclassify this as a creditor inline with paragraph 2.6.2.4 of the 21/22 CIPFA Code. This has been recorded as a misclassification error in appendix C.

We are also challenging management over the values of some of the grants disclosed as they do not agree with the letters from the granting bodies.

Our work is substantially complete subject to the satisfactory clearance of the matters above.

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
PFI provision - £17.6m	In 21/22, there was an in-year difference on the Brent Co-Efficient PFI between the rent collected and the government PFI grant received, versus the unitary payments and base revenue costs. The difference amounted to £2.7m, which was released from the provision set aside for this purpose (a reduction in the provision). Additionally, there was an indication that a provision required for the end of 28/29 contract life needs to be increased by £1.5m. This resulted in a net reduction of 1.2m in the PFI provision from 20/21 (£18.8m)	<ul style="list-style-type: none"> The draft financial statements includes an accounting policy for provisions and PFI schemes. The disclosure of the PFI provision within the financial statement is adequate. Our review of the PFI provision calculation confirms that appropriate information has been used to determine the estimate and we deem the estimate to be reasonable. 	Light purple

Assessment

- Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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- Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £12.3m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £12.3m, a net increase of £2m from 2020/21 (£10.3m).</p>	<p>Whilst we are satisfied that the Council has approved its MRP through appropriate governance structures, the Council will need to ensure that the MRP continues to be adequate in the context of increased borrowing.</p> <p>We have carried out the following work:</p> <ul style="list-style-type: none"> Confirmed MRP has been calculated in line with the statutory guidance. Confirmed the Council's policy on MRP complies with statutory guidance. Assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by Full Council. Analysed the Council's MRP percentage against total external debt held by the Council. This shows that the Council's MRP percentage against total external debt is 1.8% (1.6% in 2020/21). Whilst this is an upward trajectory in comparison to the decline noted in prior year, this is still below the standard rate of 2%. <p>Our work in this area is still in progress. We are in the process of carrying out the following work:</p> <ul style="list-style-type: none"> Challenging management that the increase in MRP charge is reasonable. <p>To date, we have not identified any issues that we wish to bring to the attention of Those Charged With Governance.</p>	Blue

Assessment

- Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements - Internal Control

The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters we identified during the course of our audit, our recommendations to management and management responses, are included in the action plan at Appendix A.

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2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

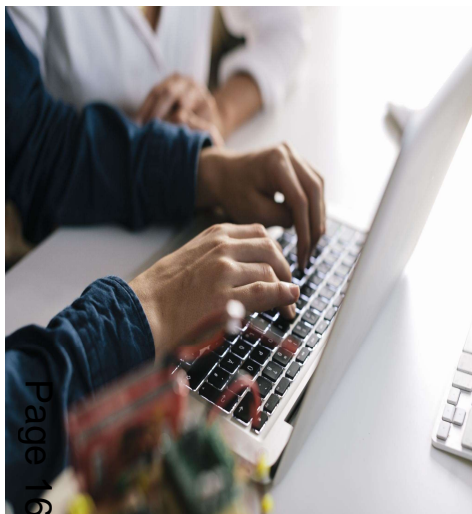
Significant matter	Commentary	Auditor view and management response
Impact of the Ukraine War	<p>The Council like other local authorities in the country, is implementing the Homes for Ukraine scheme for Ukrainian nationals and their families to be sponsored to come to the UK. The council receives funding for those who arrive under the scheme and is expected to provide support to both the hosts and the guests. Local authorities have been asked to carry out extensive sponsor checks ahead of any visa being granted.</p> <p>Implementing this scheme has placed a significant administrative burden on the Council, specifically on adult social care, children's social care, housing and legal services. The Council has put in place a small dedicated team to administer the scheme. There are a number of risks associated with this project including safeguarding risks and migration pressures. The Council has captured these risks on its strategic risk register</p> <p>Another impact of the war in Ukraine is on the cost of energy and the knock on impacts on inflation. The Council considers the impact will be significant although the full effects have not yet fully materialised in the Council's budgets. The Cabinet discussed the risks and mitigations around this issue at their meeting on 18 July 2022 when the medium term financial outlook report was presented. Further updates on the impact of inflation on the Council's budget, including mitigations will be given to the Cabinet as part of the quarterly forecasts and when the draft 23/24 budget is presented in November.</p>	<p>Overall, the Council seems to be have put in place reasonable arrangements to deal with implementing the Home for Ukraine scheme and the impact of the war on the cost of living crisis and the impact on the Council's budget</p> <p>The Council should continue to monitor, assess the risks and the impact on it's budget on a regular basis as it is currently doing and also ensure that there are appropriate mitigating actions in place.</p> <p>Management response</p> <p>The council will continue monitor and assess the risks of the war on the cost of living crisis and the Home for Ukraine scheme, and place in place mitigating actions for significant risks. Addressing the cost of living crisis is a key piece of work that is helping to shape the budget setting process for 23-24.</p>
Value of infrastructure assets and presentation of the gross cost and accumulated depreciation in the PPE note	<p>It has come to the attention of auditors that many councils may not have been derecognizing their infrastructure assets in line with the CIPFA code</p> <p>The code requires infrastructure assets to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. London Borough of Brent has material infrastructure assets with a net book value of £242m as at 31 March 2022. There is therefore a potential risk of material misstatement related to the infrastructure balance.</p> <p>CIPFA is currently consulting on how to address the derecognition issues and we will inform management of the outcome. We cannot formally sign off any accounts until CIPFA has completed its consultation.</p>	<p>Management should review their infrastructure assets, the valuation, accounting treatment and derecognition of such assets to ensure that they are comply with the CIPFA code</p> <p>Management response</p> <p>The council awaits the formal update of the CIPFA code, and intends to fully comply with it.</p>

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee . We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Standard Committee papers.

2. Financial Statements - other communication requirements



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Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent. All requests were returned with positive confirmation.</p> <p>We requested management to send letters to those solicitors who worked with the Council during the year. We received all solicitor responses without issue.</p>
Accounting practices	<p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We identified accounting policies relating to Asset under construction and IFRS 15 had to be updated and the Council has agreed to update them. See details in Appendix C</p>
Audit evidence and explanations/ significant difficulties	<p>All information and explanations requested from management is being provided in a prompt manner.</p> <p>Due to the system change it was difficult for the Council to provide us with a listing whose total agreed to the amounts disclosed in the financial statements especially for income and expenditure. We worked with the Council to ensure that transaction listings were cleansed before we selected samples.</p> <p>In some instances the quality of working papers provided has not been sufficient. Not all working papers provided were simple to follow which has meant that many sample items have had to be revisited numerous times to get the sufficient level of evidence needed for the audit.</p> <p>The evidence and responses which the Council's valuer provided was not always specific and of sufficient quality to enable us to draw a conclusion on our work. We have had to raise several follow up queries and challenge the valuer on numerous occasions to get sufficient responses.</p> <p>The issues noted above have caused some delay to audit progress and we have raised a recommendation in Appendix A.</p>

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA [UK] 570).

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Issue	Commentary
Going concern	<p data-bbox="871 464 2051 603">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2013 671">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 983" style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="871 999 2051 1137">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1153 1973 1297" style="list-style-type: none"> • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. <p data-bbox="871 1313 2051 1335">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1351 2051 1445" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work on this area is outstanding.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. <p>We have nothing to report on these matters</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Work is not required as the Council does not exceed the threshold</p>
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of London Borough of Brent due to incomplete VFM work.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its 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 the three specified reporting criteria.



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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 30 November 2022 . This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks at this stage.

4. Independence and ethics

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 and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard 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.

We have received confirmation that Gerald Eve, our auditor's expert is independent

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.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. No non-audit services were identified which were charged from the beginning of the financial year to September 2022, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	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 £340,988 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.
		Self-review Management	We do not prepare the returns and therefore, this mitigates the perceived self-review threat. Any changes to the return identified following our work will be formally agreed with the Management and therefore, this mitigates the perceived Management threat.
Certification of Teachers Pension Return	£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 £340,988 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.
		Self-review Management	We do not prepare the returns and therefore, this mitigates the perceived self-review threat. Any changes to the return identified following our work will be formally agreed with the Management and therefore, this mitigates the perceived Management threat.
Certification of Housing Benefit Claim	£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 £340,988 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.
		Self-review Management	We do not prepare the returns and therefore, this mitigates the perceived self-review threat. Any changes to the return identified following our work will be formally agreed with the Management and therefore, this mitigates the perceived Management threat.
I4b Holdings 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 £33,500 in comparison to the total fee for the audit of £340,988 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.

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. No non-audit services were identified which were charged from the beginning of the financial year to September 2022, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
First Wave Housing 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 £31,000 in comparison to the total fee for the audit of £340,988 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.

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.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 21/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	Income Population Listing The total of the transaction listing provided for income did not agree with the income total disclosed in the accounts as it contained a lot of reversing entries. It took considerable time for the data to be cleansed to get the listing and get to a total which was not materially different to the accounts.	The Council should ensure that they provide the audit team with a cleansed data whose total is not materially different to the amount disclosed in the accounts. Management response The Council has ongoing work to reduce the volume of reversals, such as miscodings and credit notes. The Council's Financial Regulations place an emphasis on getting things right first time, but achieving this requires improvement across the council. The Finance Department will report these reversals monthly to the Director of Finance, and each Head of Finance will be required to come up with and implement a plan to reduce the volume of reversals in their area.
High	Review of opening and closing Balance The opening balance for 2020/21 NNDR debtors was incorrect and overstated by £1m. This resulted in the year end debtor balance being overstated by £1m. Whilst this is immaterial and has been recorded as an unadjusted error in appendix C, if there is no review of the closing balance and opening balances, this could lead to a potentially material overstatement in the future	The Council should ensure that there is a review of the closing balance and opening balances on the Council Fund system to ensure that the correct opening balance is used in the NNDR model. Management response This is currently a manual process, the council is working on automating this process in 22-23 which should reduce the scope for errors and make reconciliation more straight-forward.

Internal Controls and Financial Statement issues

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements- Continued

Assessment	Issue and risk	Recommendations
High	<p>IT audit control findings</p> <p>Segregation of duties conflicts between finance and system administration roles in Oracle Cloud - 26 business users with financial responsibilities also have access to a range of high-risk system administration functions. Users can change system configurations and modify their own and other users' access.</p> <p>Lack of audit logging in Oracle Cloud – There is currently no audit logging enabled on Oracle Cloud. The Council is not able to prospectively or retrospectively identify users who have made inappropriate changes to system configurations.</p> <p>Monitoring of scheduled processes - IT audit team identified exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team.</p> <p>Project documents maintained in an unsecured format - Draft 'solution design documents', with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site.</p>	<ul style="list-style-type: none"> The Council should undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities. The Council should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles. The Council should implement audit logging for financially critical areas including, but not limited to accounts payable, cash management, account receivable and the general ledger. The Council should configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team The Council should ensure changes to key documents are authorised before processed or reviewed by someone independent of the author, restricting access and publishing PDF versions of key documents for use by the project team. <p>Management response</p> <p>These findings are acknowledged, and the council is taking the following actions:</p> <ul style="list-style-type: none"> The Council has implemented a plan to remove the security roles from the users post 31-Mar-2022 and is tracking progress on this to ensure sufficient controls are in place to avoid this risk in the future, a review will be carried out to assess the feasibility of building custom roles and taking into account cost, time and expertise needed to build these in time for the 2022/23 year end process, a review will be carried out on the impacts of turning on audit logging for these areas in terms of cost, system performance and dependencies, a review will be carried out determine how these notifications could be efficiently routed to the Oracle Cloud Application Support (OCAS) Team and which notifications should be in scope, and a full review of the SharePoint site where project documentation is stored is being carried out to restrict access or editing rights. Following this any documentation published or circulated should be in PDF format.

Internal Controls and Financial Statement issues

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements - Continued

Assessment	Issue and risk	Recommendations
<div>Page 173</div> <div>Medium</div>	<p>PPE valuation findings</p> <p>The Council applied an indexation obtained from the WHE market review to non revalued assets and assets revalued at 1 April 2021. This is performed to ensure the assets are materially accurate and reflect the values as at 31 March 2022. Valuation experts did not review the values after the indexation was applied and a valuation certificate was not obtained by the valuer.</p>	<p>We recommend that management engage their valuers to perform valuation as at the year end. Where management applies indexation to arrive at the year end values of assets, management should engage a valuer to review the application of indexation. Management should then obtain a formal certificate from valuers which confirms that the indexation has been performed in accordance with the requirement under RICS</p> <p>Management response</p> <p>The council will work with its valuers to address these concerns for the 22-23 Statement of Accounts.</p>
<div>Low</div>	<p>New System Implementation – Reconciliation</p> <p>Our IT audit specialist recommended that we check that bank reconciliation was carried out for all bank accounts on R12 (old system) and Oracle Cloud(New System) to ensure that the Council was aware of variances between the bank and the GL on the new system, and the variations were in line with previous variations from the final R12 reconciliation.</p> <p>We identified there was no bank reconciliation for one of the banks account S278 on the Oracle Cloud system. The Council advised us that a reconciliation was not necessary as there was no movement on the accounts.</p>	<p>The Council should ensure that a bank reconciliation is carried out for all bank accounts in the period when a system change occurs to ensure that there is completeness of the data which migrated from the old system to the new system</p> <p>Management response</p> <p>This has been noted.</p>

Internal Controls and Financial Statement issues

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Brent's 2020/21 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 note [1] is still to be completed.

Assessment		Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<p>Cash in transit prior year error</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.
Page 174	Ongoing	<p>Transaction listings and audit evidence</p> <p>We recommended that the:</p> <ul style="list-style-type: none"> Transaction listings provided to audit should be cleansed of significant contra entries. Quality of working papers should be consistent and easy to follow, containing the required information for audit. <p>Update 21/22</p> <p>We have raised this as an issue again this year and as such this point still remains.</p>	<p>In response, Management have undertaken the following:</p> <ul style="list-style-type: none"> a better process for cleansing significant contra entries for audit has been put in place, and 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
	3	<p>Grants register</p> <p>We recommended that management should:</p> <ul style="list-style-type: none"> Regularly review and update the grants register. Reconcile the grants register to the financial statements as part of the accounts preparation process. 	<p>The Management have:</p> <ul style="list-style-type: none"> regularly reviewed and updated the grants register, and reconciled the grants register to the financial statements as part of the preparation process

Assessment

- ✓ Action completed
- x Not yet addressed

B. Follow up of prior year recommendations - Continued

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
4	<p>✓</p> <p>Payroll creditors reconciliation</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>✓</p> <p>IT audit control findings – Security management</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>✓</p> <p>Useful economic lives of buildings</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.

Assessment

- ✓ Action completed
- x Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Debtors and Creditors Balance – Council Account			.
Dr Trade Payables		8,785	
Credit Trade Debtors		(8,785)	
One of the debtor samples selected was a control balance which increases both debtor and creditor balance by the same amount (£8.785m). It should have been nil at the year end however it was left in both the debtor and creditor balances . This is a factual error. The above shows the adjustment to correct the error.			
Overstatement of Accruals – Council Account			
Dr Accruals (Current Liabilities)			
Cr Expenditure		2,690	
	(2,690)		
One of the accrual samples tested was over accrued by £2.69m. The total of the sample tested was £5.69m. We are testing the rest of the balance to ensure that the error is an isolated error. We have recorded this as a factual error.			(2,690)

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

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Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Historic Creditors – Council Account			
Dr Creditors		1,570	
Credit Expenses	(1,570)		(1,570).
This represents the write off of historical items which are no longer creditors			
Impact of undercharge in subsidiary's (I4B) interest rate on the Council's accounts			
Dr Loans (Principal Soft Loan)		1,600	
Cr Investment (Soft Loan)		(1,600)	
This is the adjustment for the loss represented by the undercharge of 0.1% in interest rate as compared to the market rate to I4B. This has resulted in less of the soft loan balance (£1,6m) required to be reported as an investment in the Council's accounts.			
Overall impact	(£4,260)	£4,260	(£4,260)

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
In the draft accounts, Brent have included prior year restatements due to final audit of subsidiary i4B. The restatements were immaterial to the Group.	To remove the restatements in relation to i4B adjustments as this is not material to the Group. Management response This will be updated	✓
There is no prior year comparatives disclosed for the adjustments between accounting basis and funding basis analysis.	The analysis for the adjustments between accounting basis and funding basis must also be provided for the comparative year. Management response This will be updated	✓
Note 14 EFA - £17.7m is an arithmetical error and should be (£7.1m); both the (£7.7m) for the general fund and £0.6m for the HRA are readily visible in the MIRS.	£17.1m to be corrected to agree to the MIRS. Management response This will be updated	✓
The disclosures in relation to the Alpertons lease are incorrect.	The lease disclosures to be reviewed and amended to reflect that the Alpertons lease has not commenced yet. Management response This will be updated	✓

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
The note 30 footnote states that the table includes the senior employees reported at note 29. This is not in accordance with the requirements and so the numbers reported are overstated.	The note to be reviewed and corrected to be code compliant. Management response This will be updated	✓
There are no short term and long term debtors note disclosed in the group accounts as the value of the total debtors is materially different when compared to the total debtors value in the single entity accounts.	Debtors note to be added to group accounts. Management response This will be updated	✓
The accounting policy 3.1 states that AUC is held at invoiced construction cost at the year end.	This should be measured at historic cost and this should be established on an accruals basis. Management response This will be updated	✓
Accounting policy 4.3 work in progress is out of date and does not reflect the requirements of the Code under IFRS 15.	The note to be updated to reflect the Code requirements. Management response This will be updated	✓
Dedicated School Grant- Presentation of dedicated school grant was not as per the statutory requirement. Deficit of 2020/21 was required to present in different line in the note.	The note to be updated to reflect the Code requirements. Management response This will be updated	✓

C. Audit Adjustments cont'd

Disclosure omission	Auditor recommendations	Adjusted?
The Intangible assets balance is material in 2021/22 however this is no supporting note for this in the accounts.	A note to be added. Management response This will be updated	✓
Cash Flow statements – the Increase/decrease in debtors figures and the Increase/decrease in impairment for bad debts were incorrect.	To correct the Increase/decrease in debtors figures to -56.2M and add Increase/decrease in impairment for bad debts of 6.1M. Management response This will be updated.	✓
Audit fees note does not agree to the Audit plan communicated to Those Charged With Governance.	Audit fees note has been amended to include the 10k new system implementation fee that was included within the Audit Plan. Management response This will be updated.	✓
Various minor disclosure and formatting changes	In addition to these, we identified a number of other minor improvements to disclosures, formatting and accounting policies which are not deemed to be significant enough to bring to the attention of Those Charged With Governance. Management response This will be updated.	✓

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Misclassification	Auditor recommendations	Adjusted?
In the draft accounts, the Council incorrectly misclassified £4.5m of other payables as trade payables.	To correct the misclassification between other payables and trade payables. Management response This will be updated	✓
The council incorrectly recognised £2,153k collection fund receipts relating to 22/23 as a debtor (prepayment) for the Council instead of a creditor (receipt in advance)	The Council should correct this misclassification Management response This will be updated	✓
There is £1.4m debit balance on Long Term Creditors which has been reclassified to Long Term Liabilities. This should be reflected in the Liabilities at Amortised Costs – Other on Note 24, which will reduce the balance from £3.5m to £2.1m and the total by the same amount.	The Council should correct this misclassification Management response This will be updated	✓
The Council incorrectly classified Council Tax Energy Bill Rebate of £13.7m for which Council is acting as an agent as Grant receipt in advance. The Council will reclassify this as a Creditor inline with paragraph 2.6.2.4 of the 21/22 CIPFA Code.	The Council should correct this misclassification Management response This will be updated	✓

C. Audit Adjustments



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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Collection fund Debtors overstatement				
The opening balance of collection fund debtors was overstated by £1m. It should have been £10.4m, however it was incorrectly input into the correction fund model as £11.4m. This resulted in an overstatement of the year end debtor balance by £1m.		(1,000)		The Council is not adjusting it as it is not material .
Debtors		1,000		
Creditors				
The Council can move it to a suspense account so that both debtors and creditors are reduced by £1m and there is no net change on the balance sheet.				

C. Audit Adjustments

Impact of unadjusted misstatements- Continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Insurance Policy Expenditure cut off error				
The Council incorrectly recognised the full insurance policy expenditure of £755k in 21/22 even though half of it (£377k) relates to 22/23 . This means that expenditure is overstated by £377k. This is the factual error. There is projected misstatement of £2.47m when the error is extrapolated over the population tested.				The Council is not adjusting as the error of £2.4m is a projected error. The factual error of £377k is below PM.
Dr Liabilities		2,470		
Cr Expenditure	(2,470)			
Overall impact	£(2,470)	£2470	£0	

D. Fees

We confirm below our final fees charged for the audit and provision of audit related services. There were no fees for the provision of non-audit related services.

Audit fees	Proposed fee	Indicative Final fee
Council Audit	£237,184	£237,184
Additional fee for work arising from hot review of the financial statements and extra work from testing from two systems.	£15,000	£15,000
Pension Fund Audit	£37,808	£37,808
Audit of First Wave Housing	£31,000	£31,000
Audit of i4B Ltd	£33,500	£33,500
Total audit fees (excluding VAT)	£354,492	£354,492

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The Audit Findings for London Borough of Brent Pension Fund

Year ended 31 March 2022

September 2022



Contents



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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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of Brent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

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Financial Statements	
<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>Our audit work was completed on site/remotely during July-September. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position.</p>	<p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none">final manager, and partner review of the audit file and resolution of any residual queries arising;completion of Level 2 and 3 testing – awaiting response from individual fund managers;subsequent events confirmation;receipt of management representation letter; andreview of the final set of financial statements. <p>We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p>

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 29 September 2022. These outstanding items have been detailed on Page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of 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.

We have revised the performance materiality due to the actual net assets changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table on the right our determination of materiality for Brent Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	11,338,000	This represents 1% of the Net Assets reported at 31 March 2022.
Performance materiality	7,936,600	This represents 70% of the Materiality threshold above. This has been reduced from the planning stage from 75%.
Trivial matters	396,800	This balance is set at £800k being 5% of the overall materiality.



2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <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 have:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work has not identified any issues in respect of management override of controls.</p>
<p>Valuation of Level 3 investments</p> <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>We have:</p> <ul style="list-style-type: none"> - Evaluated management's processes for valuing Level 3 investments; - Reviewed the nature and basis of estimated values and considered the assurance management has over the year-end valuations provided for these types of investments, against the requirements of the Code; - Independently requested year-end confirmations from investment managers and custodian; - Obtained audited financial statements for Capital Dynamics (Private Equity/infrastructure), LCIV Infrastructure, LCIV Private Debt and Alinda (Infrastructure) as at 31 December 2021 and we have reconciled any cash movements between the intervening period to 31 March 2022. For one of the sub-funds within Capital Dynamics, the 31 December 2021 audited financial statements are not available, the value of this fund is £120k and as such, we have ensured that the impact of this is clearly trivial; - For all funds, reviewed investment manager service auditor report on design effectiveness of internal controls. <p>Our audit work is substantially complete subject to fund manager response to the queries raised for Capital Dynamics. Our work to date has not identified any issues.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

New system implementation

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

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.

Given the nature of this transition, we have identified a risk of material misstatement in relation to the system migration, at financial statements level.

We have:

- performed detailed testing over security management, technology acquisition and infrastructure as well as development and maintenance
- evaluated 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
- reconciled opening balances at month seven to closing balances at month six, including reconciliations of the general ledger, accounts payable, accounts receivable and assets
- In addition to the above procedures, our IT auditors performed 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.

We have followed up on work which our IT specialist recommended us to do which was to ensure that a bank reconciliation was carried out in both R12 (the old system) and Oracle Cloud (the new system) in the month which the system implementation occurred.

Our work on the New System Implementation is complete. We have nothing else to bring to the attention of the Audit and Standards Committee apart from the point we have raised above.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £101.3m	<p>The Pension Fund has investments in the following:</p> <ul style="list-style-type: none"> - Capital Dynamics (Private Equity and Infrastructure) that in total are valued on the balance sheet as at 31 March 2022 at £36.2m; - Alinda (Infrastructure) that in total are valued on the balance sheet as at 31 March 2022 at £23.4m; - LCIV (Infrastructure) that in total are valued on the balance sheet as at 31 March 2022 at £21.4m; and - LCIV (Private Debt) that in total are valued on the balance sheet as at 31 March 2022 at £20.3m. <p>Management have reviewed the year end valuations provided by the Fund Managers including the audited financial statements dated 31 December 2021. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management have used the cash flows adjusted valuation provided by the custodian, Northern Trust.</p> <p>The value of the investment has increased by £20.2m in 2020/21, largely due to the increase in LCIV Infrastructure by £9.6m and acquisition of LCIV Private Debt in 2021/22.</p>	<p>From the procedures undertaken:</p> <ul style="list-style-type: none"> - We have deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. - We are satisfied that the movements between 31 December 2021 and 31 March 2022 are reconciled to appropriate and known movements in the intervening period. For one of the sub-funds within Capital Dynamics, the 31 December 2021 audited financial statements are not available, the value of this fund is £120k and as such, we have ensured that the impact of this is clearly trivial. - We are satisfied that the method, data and assumptions used by management to derive the accounting estimate is appropriate. - We are satisfied that the disclosure of the estimate in the Fund's financial statements is sufficient. - We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. <p>Our work to date has not identified any issues. We will update the Audit and Standard Committees of our findings on completion of our work.</p>	Light Purple
Assessment <ul style="list-style-type: none"> ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious 			

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,002.3m	<p>The Pension Fund have investments in Pooled investments and Pooled property investments, which in total are valued on the balance sheet as at 31 March 2022 at £1,002.3m</p> <p>The underlying investments are traded on an open exchange/market although the pooled valuation of the investment is subjective.</p> <p>The Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.</p>	<p>From the procedures undertaken:</p> <ul style="list-style-type: none"> - We have reviewed the estimation process for the Level 2 investments and are satisfied that these are in line with industry standards. - We have compared the valuations provided by the fund managers with the custodian and are satisfied that there are no significant differences in the valuations. - We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. <p>Our work to date has not identified any issues. We will update the Audit and Standard Committees of our findings on completion of our work.</p>	Light purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund to be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA [UK] 570).

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Issue	Commentary
Going concern	<p data-bbox="871 464 2056 608">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 620 2016 675">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 930" style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p data-bbox="871 943 2040 1086">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1099 2029 1246" style="list-style-type: none"> • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. <p data-bbox="871 1259 2051 1281">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1294 2056 1390" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report as part of the December 2022 Audit and Standards Advisory Committee.

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3. Independence and ethics

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 and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard 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.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Appendices

A. Action plan – Audit of Financial Statements

We have identified 4 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	<p>Segregation of duties conflicts between finance and system administration roles in Oracle Cloud.</p> <p>Our audit identified the following segregation of duties conflicts for users in Oracle Cloud:</p> <ul style="list-style-type: none"> A Senior Finance Analyst had access to the Application Implementation Consultant and IT Security Manager roles. A Senior Finance Analyst had access to six Brent L3 Support roles. The Head of Finance had access to the IT Security Manager role. Five finance users who had access to the Financial Integration Specialist role (we note that this access was revoked on 14 April 2022). 13 members of the Payroll team and four members of the Learning and Development team who had access to the Brent HCM Application Administrator role. <p>The Pension Fund confirmed that some of these users required this level of access to complete the closedown process for the production of the financial statements.</p> <p>Risk</p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p>	<p>It is recommended that the Pension Fund undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p> <p>Furthermore, the Pension Fund should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.</p> <p>Management response</p> <p>This finding is acknowledged and Brent have since implemented a plan to remove the security roles from the users post 31-Mar-2022 and this is being tracked to ensure sufficient controls are in place to avoid this risk in the future.</p> <p>A review will be carried out to assess the feasibility of building custom roles and taking into account cost, time and expertise needed to build these in time for the 2022/23 year end process.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements cont'd

Assessment	Issue and risk	Recommendations
Medium	<p>Lack of audit logging in Oracle Cloud.</p> <p>Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled.</p> <p>Risk</p> <p>Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p>	<p>It is recommended that the Council implement audit logging for financially critical areas including, but not limited to:</p> <ul style="list-style-type: none"> • Accounts Payable (including Suppliers); • Cash Management; • Accounts Receivable; and • General Ledger. <p>The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations.</p> <p>Management response</p> <p>This finding is acknowledged a review will be carried out on the impacts of turning on audit logging for these areas in terms of cost, system performance and dependencies.</p>
Low	<p>Monitoring of scheduled processes.</p> <p>Our audit identified that exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team.</p> <p>Risk</p> <p>Restricting exception report notifications to certain individuals increases the risk that exceptions are not identified and resolved in a timely manner in their absence. This could result in incomplete or inaccurate financial information being posted between accounts within Oracle Cloud.</p>	<p>It is recommended that the Council configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team.</p> <p>Management response</p> <p>This finding is acknowledged and a review will be carried out determine how these notifications could be efficiently routed to the Oracle Cloud Application Support (OCAS) Team and which notifications should be in scope.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements cont'd

Assessment	Issue and risk	Recommendations
Low	<p>Project documents maintained in an unsecured format.</p> <p>Our audit identified that draft 'solution design documents', with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site. These documents could be accessed by staff from the Council's System Integrator and Infosys teams.</p> <p>Risk</p> <p>There is a risk that unauthorised changes could be made to the solution design documents, which could result in processes and controls not operating as anticipated. This could also result in financial misstatement through fraud or error if certain controls are not implemented as planned.</p>	<p>For future major projects, it is recommended that the Council consider the following measures to help safeguard key project documentation:</p> <ul style="list-style-type: none"> Ensuring that changes to key documents are authorised before processed, reviewed by someone independent of the author with any comments arising being addressed in a timely manner. Restricting access to editable versions of documents to authorised personnel, which should exclude the System Integrator team. Publishing PDF versions of key documents for use by the project team, these documents should include version control information such as dates when they were signed off and by whom. <p>Management response</p> <p>This finding is acknowledged and a full review of the SharePoint site where project documentation is stored is being carried out to restrict access or editing rights. Following this any documentation published or circulated should be in PDF format.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Minor presentational and disclosure issues	<p>The audit team propose that the Pension Fund amend all other minor and presentational issues highlighted in the audit.</p> <p>Management response</p> <p>This will be updated.</p>	✓

C. Fees


We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee	Indicative Final fee
Pension Fund Audit	£37,808	£37,808
Additional fee for work arising from delayed response from Management and the investment managers		£2,500
Total audit fees (excluding VAT)	£37,808	£40,308

Details of variations in final fees from the proposed fee per the audit plan

The fees reconcile to the financial statements.



	Audit and Standards Advisory Committee 29 September 2022
	Report from the Corporate Director, Governance
Planning Code of Practice Review 2022	
Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Three: 1. Independent Expert, Brent Planning Code Review Report, (Appendix A). 2. Table re review recommendations, (Appendix B). 3. Marked up copy of the Brent Planning Code of Practice reflecting proposed changes, (Appendix C).
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Debra Norman Corporate Director of Governance Services Email: debra.norman@brent.gov.uk Tel: 020 8937 1578 Alice Lester Director Regeneration, Growth & Employment Email: alice.lester@brent.gov.uk Tel: 020 8937 6441 Bianca Robinson Senior Constitutional and Governance Lawyer Email: biancia.robinson@brent.gov.uk Tel: 020 8937 1544

1.0 Purpose of the Report

- 1.1 The purpose of this report is to update the Committee on the outcome of the Independent Review, and the consequential recommended changes, in relation to the Planning Code of Practice.

2.0 Recommendations

- 2.1 That the Audit and Standards Advisory Committee consider and note the contents of the report.
- 2.2 That the Audit and Standards Committee note that Full Council will be asked to approve the proposed changes to the Planning Code of Practice.

3.0 Detail

Background

- 3.1 Part 6 of the Council's Constitution contains the Members' Code of Conduct and a Planning Code of Practice. The final paragraph of the Planning Code states:

"14.1 The Director of Legal, HR and Audit & Investigation will commission a report independent of the planning service in early 2018, and once every four years thereafter on the operation of this Code of Practice. The report should address the extent of compliance with this Code by officers and members, contain an analysis of decisions being made against officers' recommendations and set out any appropriate recommendations for improvement."

- 3.2 The last review was undertaken in 2018 and considered by this Committee in December of 2018.
- 3.3 In June 2022, the Planning Advisory Service (PAS), a part of the Local Government Association (LGA), undertook a comprehensive independent review of the Council's Planning Code of Practice (the Code) as required by the Constitution. A copy of the report is attached as Appendix A. This report updates the Committee on the independent expert's findings, recommendations and consequential action taken by officers.

Key findings of Independent Review (IR)

- 3.3 When considering how Brent council compares with other local planning authorities, in particular other London Boroughs; the Independent Reviewer found that "Brent's Code of Practice should be considered as national best practice and used as a benchmark for other Councils to use to help them review their own codes of practice".
- 3.4 The reviewer noted "there are some areas that should be considered by Brent to fine tune the Code of Practice but none of these are urgent or likely to put Brent at risk of legal challenge if not implemented immediately".
- 3.5 He advised "conduct of councillors and officers at Planning Committee was in the main excellent with councillors and officers clearly understanding their roles and understanding both the planning issues and the Planning Committee process". Further he commented that he observed "a very well run Committee with a high level of professionalism and mutual respect from councillors and officers. In many ways the Planning Committee was run in an exemplary manner".
- 3.6 He was of the view that the Planning Committee "is backed up by sound decision making".

- 3.7 The reviewer noted that whilst “there are some improvements that can be made and these have been highlighted in the report, none of the recommendations are critical or urgent”.

Key Recommendations/Suggestions of Independent Review

- 3.8 Senior officers discussed the recommendations and improvements identified by the IR. Their comments, together with comments by the independent reviewer are set out in Appendix B. Attached as Appendix C is a marked copy reflecting proposed changes to the Code.
- 3.9 Senior officers are pleased with the findings of this review and are grateful to the independent reviewer for the work he has undertaken.

4.0 Financial Implications

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

5.0 Legal Implications

- 5.1 There are no legal implications arising out of this report.

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.

Report sign off:

DEBRA NORMAN

Corporate Director Governance

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London Borough of Brent

Review of Brent Planning Committee Code of Practice

June 2022

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1. Introduction

- 1.1 London Borough of Brent includes as part of its Council Constitution a Planning Code of Practice. The final paragraph of the Planning Code states:
“14.1 The Director of Legal, HR and Audit & Investigation will commission a report independent of the planning service in early 2018, and once every four years thereafter on the operation of this Code of Practice. The report should address the extent of compliance with this Code by officers and members, contain an analysis of decisions being made against officers’ recommendations and set out any appropriate recommendations for improvement.”
- 1.2 The Council has requested that the 2022 review is undertaken by the Planning Advisory Service (PAS). PAS is part of the Local Government Association (LGA). PAS provides high quality help, advice, support and training on planning and service delivery to councils. Its work follows a ‘sector led’ improvement approach, whereby local authorities help each other to continuously improve.
- 1.3 The person undertaking this review is Peter Ford. Peter is a Principal Consultant at the Planning Advisory Service (PAS) and heads up the Development Management programme at PAS. Prior to joining PAS Peter was the Head of Development Management at Plymouth City Council and held that post for 12 years up until April 2021.

2. Scope of the Review

The scope of the review incorporated the following research.

1. A desktop review of the current Code of Practice against current legislative requirements, standards and good practice, identifying any obvious deficiencies.
2. An assessment of how Brent council compares with other local planning authorities, in particular other London Boroughs.
3. A discussion of the Code of Practice and it’s operation with key officers and councillors who are involved in the Planning Committee process (see appendix 1). These discussions took place in part in person and in part through MS Teams on 18th, 23rd and 24th May 2022.
4. An assessment identifying if there are any issues regarding the Code’s application and usefulness.
5. The viewing of the Planning Committee meeting on 20th April 2022 to assess how the current Planning Code was being implemented in practice. The meetings was viewed via a web cast.

KEY RECOMMENDATIONS

- R1 Review the wording of the Code of Practice so that it applies to both members and officers.
- R2 Include a section within the Code of Practice that outlines the roles of the key officer and member participants in the Planning Committee meeting.
- R3 Include a reference within the Code of Practice on the use of substitutes. This could include a reference to the need for training, the need for them to familiarise themselves with the report contents in an equivalent way to a permanent Planning Committee member and a deadline for the identification of a substitute prior to a Planning Committee meeting.
- R4 Reword paragraphs 4.1, 4.3, 6.1 and 7.2 for clarity for the reasons given in section 4 of this report.
- R5 Review the section on councillor training to be more explicit about the minimum training expected of councillors to sit on Planning Committee and clarification on the mandatory requirements.
- R6 Cross reference procedures for speaking at Planning Committee with the constitutional requirements. This will enable greater transparency and avoid any confusion for both the Planning Committee and the speakers.
- R7 Provide a new section in the Code of Practice to provide guidance to Members of Planning Committee and other councillors on their engagement in the pre application process.
- R8 Include additional items on the Planning Committee agenda periodically to report on appeal decisions and report on Planning performance.
- R9 Clarify the preference for site visits to be held prior to a Planning Committee meeting rather than deferring a decision for a site visit.
- R10 Consider additional sections in the Code of Practice to include councillor responsibilities in reviewing live planning applications and how they should be engaged in post decision matters.

Findings

3. Overall effectiveness of the Code of Practice

- 3.1 The feedback received from virtually all the interviewees was that the Code of Practice is fit for purpose and works well in meeting the requirements for Planning Committee to deliver sound, open and transparent decision making. This was backed up by PAS's own reflections on the day-to-day operation of Brent's Planning Committee. The Planning Committee appears to run very smoothly and the officer and councillor roles are clear and respectful. Councillors and officers clearly abide by the Code of Practice and this undoubtedly has led to Brent's good reputation for making sound decisions. The Chair is clearly in control of the Committee, has the respect of all Members of the Committee and understands the procedures well. I was advised that conduct at Planning Committee has previously been less respectful and organised and that previous Planning Committees have been "chaotic".
- 3.2 In many ways Brent's Code of Practice should be considered as national best practice and used as a benchmark for other Councils to use to help them review their own codes of practice. There are some areas that should be considered by Brent to fine tune the Code of Practice but none of these are urgent or likely to put Brent at risk of legal challenge if not implemented immediately. However, as outlined below, some of the areas of consideration could become more urgent if the political makeup of Brent was to change and these are highlighted in the report where relevant.

4. Member and Officer conduct and attendance

- 4.1 Feedback from interviewees on the conduct of councillors and officers at Planning Committee was in the main excellent with councillors and officers clearly understanding their roles and understanding both the planning issues and the Planning Committee process. This was backed up by my own observations of the Planning Committee meeting where I observed a very well run Committee with a high level of professionalism and mutual respect from councillors and officers. In many ways the Planning Committee was run in an exemplary manner.
- 4.2 The Code of Practice states that it is a *Member* code and reference is made to a separate Council officer code. However in paras 4.11 and 4.12 specific mention is made to officer conduct. This could cause confusion and was raised by some of the interviewees. It may be helpful if the Code of Practice clearly states that it is relevant to both officers and councillors. A good example of how this can be set out can be seen at [Kensington and](#)

[Chelsea](#). Many issues related to Planning Committee are equally as relevant to officers as they are to councillors – such as personal interests, pecuniary interests and conduct – and these should be declared as part of the Planning Committee process.

- 4.3 Many codes of practice will outline the roles of the participants at the Planning Committee. This would include key councillor roles such as the Chair and vice Chair as well as key officers such as the lead officer, presenting officer, Legal officer and Democratic Support officer. These roles are not detailed in Brent's Code of Practice. In practice this was not raised as a problem for any of the interviewees and when I viewed the Planning Committee there was no evidence that any of the roles were unclear. However it may be helpful if these roles were clarified in the Code of Practice. This is for two reasons:
1. Brent appears to have a very settled and knowledgeable group of members and officers. However potentially this could change with new councillor and officer appointments who may not have the level of experience and competence in Planning Committee matters.
 2. There are a number of officers attending who could potentially take a very similar role in supporting members e.g. which officer answers which question? It currently appears to work very smoothly with officers being very professional and coordinated in the way they respond, but changes in personnel could change this position.
- 4.4 Comments were made by a number of interviewees that officers sometimes showed bias towards the applicant in the way that they presented reports and answered councillor questions. Also a comment was made that some councillors appeared to be 'rubber stamping' an officer recommendation without properly scrutinising the issues. I found no evidence of either of these assertions when viewing the Planning Committee. However as this has been raised as an issue it would be helpful if these matters were specifically addressed in councillor and officer training – see also the section on training.
- 4.5 Interviewees mentioned the issue of substitutes on Planning Committee. I was told that at times substitutes were identified at a very late stage prior to Planning Committee and this made it difficult for those substitutes to properly familiarise themselves with the agenda items. It therefore may be helpful if the Code of Practice made specific reference to the appointment of substitutes. For example there could be a specific reference to the need for those substitutes to be sufficiently trained and a deadline for substitutes to be identified prior to the Planning Committee meeting.
- 4.6 I was told that feedback to officers on Planning Committee matters was inconsistent and very much relied on the initiative of individual team leaders rather than any structured feedback mechanism. Whilst this issue is not strictly speaking a Code of Practice matter it is a helpful observation and a matter that Planning managers may wish to address for future Planning Committee meetings.
- 4.7 Para. 4.1 of the Code of Practice appears to indicate that at Brent you can be a councillor and planning agent / consultant working in Brent which would indicate a potential conflict of interest. Also in para. 4.3 matters related to personal interests are a

bit convoluted and 'wordy'. It may be simpler for the Code of Practice to advise councillors to discuss a personal interest with the Legal officer prior to the meeting so that they can decide whether it is appropriate to sit on the Planning Committee for a particular item.

- 4.8 The last sentence in para.6.1 of the Code of Practice is a bit vague and open to interpretation when it refers to "councillors assisting an interested party". A clearer form of wording would be beneficial for interpretation purposes.
- 4.9 In para. 7.2 of the Code of Practice there is a reference to members avoiding any contact with applicant, objector etc. This could be confusing to councillors and result in them being unnecessarily cautious in their dealings with interested parties. The key points to refer to in the Code of Practice should be to avoid either being actually pre determined or there being a perception of pre-determination. Therefore this paragraph could be rephrased to emphasise the point that councillors who sit on Planning Committee should not approach an interested party without first speaking to a relevant officer and should never meet an applicant without an officer being present.

5. Training

- 5.1 The training provided for Members of the Planning Committee and substitutes appears to be very comprehensive and well attended. Members clearly understand the importance of training and I identified no resistance to the quantity or quality of the training that was delivered. For example I heard about recent training carried out by Simon Bird QC that was well received. The involvement of a Planning barrister is good practice and should be applauded.
- 5.2 However there is some confusion from the wording of the Code of Practice whether the annual training is mandatory, whether it is required before a councillor sits on the Planning Committee, or whether refresher training is required if a Member has a long gap between sitting on the Planning Committee. Whilst this does not seem to have caused a problem recently, the Council could be in weak position if this was challenged by a councillor who was reluctant to undergo training.
- 5.3 Even though it is not strictly a Code of Practice issue I found no evidence of guidance for officers on the Planning Committee process. It might be helpful, perhaps as part of the Development Management Manual and through the annual staff review process, to identify both guidance for officers new to the Planning Committee and an opportunity for training. The Council could book staff on to external courses, source such as through the RTPi or through bespoke internal training session. PAS can provide guidance on how this training could be facilitated.

6. Speakers at Planning Committee

- 6.1 The practice of asking points of clarity to speakers appears to work very well from my observations. Many Councils are reluctant to open up questions in this way as it requires discipline from councillors, strong Chairing and can elongate the length of a Committee item. The way it is carried out in Brent shows best practice and other Councils could learn from Brent's example.
- 6.2 The Code of Practice is unusual in not having procedures for speaking at Planning Committee and a set down process for warning speakers or stopping a speaker if they breach certain protocols. I heard that the reason for this is because it is adequately covered elsewhere in Brent's Constitution and this has previously been adequate for any issues that have arisen.
- 6.3 Whilst this cross over with other parts of the Constitution is reasonable, it would be difficult for a speaker new to Planning Committee to understand the cross references and therefore it might be helpful to have a more visible link between the requirements in the two documents. This could be through a simple duplication of information or a web link. The latter may be easier to ensure that the documents always say the same thing.

7. Pre applications

- 7.1 The Code of Practice makes no reference to councillor involvement in the pre application process. Some of the interviewees considered that this would be helpful as it is an area that councillors sometime find confusing. They may feel under pressure from an applicant to express an opinion or be challenged by a resident who might expect a councillor to be more aware of a pre application process. It may therefore be helpful if specific guidance was provided in the Code of Practice for both Members of the Planning Committee and other councillors. A good example of a Council that includes a section on pre applications is [Plymouth City Council](#).

8. Agenda information

- 8.1 The agenda items sent to the Planning Committee are very comprehensive and informative. In particular I heard that the information additional to the officer report was particularly appreciated by councillors and this included plans, a pack of photographs and a link to Google Maps. The information provided before the meeting enabled officers to focus on short presentations where they simply highlighted key areas that they felt were important for the Committee to note. This enabled the agenda to move forward quickly and put the emphasis on the Committee to read the reports and prepare before the meeting. I heard that in the past officers gave longer, more detailed presentations officers and were sometimes accused of "selling" schemes on behalf of applicant.

- 8.2 A notable absence from the agenda was any information on current performance information or appeal decisions. Councils often use the Planning Committee to make councillors aware of performance and the success of recent appeals as part of an ongoing monitoring and learning process. This could be used as much about celebrating success as identifying problems and without these items as a regular agenda item Brent is potentially losing the opportunity for continued learning. [Westminster](#) is a good example of a Council that regularly updates the Planning Committee in this way.

9. Member briefings

- 9.1 There are a number of Planning related Member meetings outside of the formal Planning Committee meetings including Chair / vice Chair briefings, and meetings between the Portfolio Holder and officers. All these meetings are best practice and an indication of an engaged and collaborative Council. I did not hear from any of the participants in this review that any of these meetings were a concern, however outlined below are some improvements that could be considered as part of this review.

Chair / vice Chair meetings

- 9.2 These meetings are currently held after the agenda has been set and reports distributed. Consideration could be given to holding these meetings prior to the agenda being sent so that the Chair and vice Chair can have a greater role in managing the business of the Committee. In particular a briefing prior to the agenda being sent could enable the Chair and vice Chair:
- Agree the order of business based on the likely level of interest for each item.
 - Help officers ensure that the right expertise is available at the meeting to deal with likely questions from the Committee.
 - Help officers ensure that the reports include all the information that the Committee might find helpful to make a decision.

Portfolio Holder meetings

- 9.3 It is good practice for officers and the Portfolio Holder to meet on a regular basis to discuss planning application issues. However it might also be helpful to include the Chair of the Planning Committee in some of these discussions to reflect on the running of the Planning Committee and the items that have been considered / will be considered at the Committee. This would enable the Portfolio Holder to be fully engaged in Development Management matters and help a process of continuous learning for the Committee.

10. Site visits

- 10.1 I heard that site visits take place infrequently partly as a consequence of Covid restrictions and partly due to the general ease of access to most development sites in the borough

due to Brent's geography. Site visits can be an excellent way for councillors and officers to learn from each other to understand the issues on site and therefore are a useful part of the decision making process.

- 10.2 It appears that councillors do not generally defer decisions to allow a site visit, however this is an issue for many Councils and is sometimes perceived as being a tactic to delay decision making. To avoid deferrals being a problem in the future the Code of Practice could include a simple phrase such as "Members should make officers aware of requests for site visits prior to the meeting and Planning Committee will exercise a strong presumption against agreeing to defer the planning application for a site visit"

11. Other potential additions to the Code of Practice

- 11.1 Outlined below are two other areas of guidance that other Councils include as part of their Code of Practice that Brent may want to consider as part of their review.

Councillor responsibilities

- 11.2 Some Councils will set out a clear responsibility for councillors to contact officers if they wish to comment on a planning application, putting the onus on the councillor to look at the weekly list and engage. A good example of this is from [Havering Borough Council](#)

Post decision matters

- 11.3 Many Councils will include a section outlining how councillors can engage in matters that may follow from a Planning Committee decision such as enforcement matters, appeals and complaints. This will help councillors understand when they are required to be involved and how they should engage. A good example can be seen at [Croydon](#).

12. Conclusions

- 12.1 The operation of Planning Committee at Brent runs very smoothly and this is backed up by sound decision making. I heard from officers and councillors who are involved with the Planning Committee process and there was almost universal support for the current arrangements. My observations of a Planning Committee also indicate that there is robust and sound decision making at Brent. The Council should be applauded for providing national best practice in many areas of the operation of its Planning Committee.
- 12.2 There are some improvements that can be made and these have been highlighted in the report. None of the recommendations are critical or urgent. However the improvements

highlighted will bring Brent in line with other best practice in the London boroughs and elsewhere across England. The Council also needs to be mindful that the current arrangements work well because it has a stable and experienced group of officers and councillors. The improvements proposed will help the Council be more robust if any changes were to take place in the future.

APPENDIX 1 – Councillors and Officers from Brent interviewed as part of the review

Councillors

Cllr Muhammed Butt – Leader of the Council
Cllr Shama Tatler - Lead Member, Regeneration, Property & Planning
Cllr Suresh Kasangra – Leader of the Opposition
Cllr Matt Kelcher - Chair of the Planning Committee
Cllr Saqib Butt – Vice Chair of Planning Committee
Cllr Robert Johnson – Planning Committee Member
Cllr Liz Dixon – Planning Committee Member
Cllr Michael Maurice – Planning Committee Member

Officers

Gerry Ansell - Head of Planning & Development Service
David Glover - Development Management Manager
Marsha Henry - Chief Lawyer
James Kinsella - Governance Manager
Solomon Simbanane - Senior Planning Lawyer
Nicola Blake - Principal Planning Officer

Appendix B: Table re Review recommendations

No	Key Recommendation	LBB Officer's Response	Comment with Independent Reviewer	Section of the Planning Code amended of accordance with key recommendation
1.	Review the wording of the Code of Practice so that it applies to both members and officers.	The Code will be amended to specifically cross - refer to the Protocol for Member/Officer relations, but officers would like to keep the respective documents separate.	Cross –referencing would work as amounts to the same thing. Especially Declarations by officers- Familiarity with developers, Facebook and friends	Para 1.1 of the Code amended. We will also be amending the Officer Code to specifically cover the developer's reference.
2.	Include a section within the Code of Practice that outlines the roles of the key officer and member participants in the Planning Committee meeting	Agreed	Noted	New para 14 inserted into the Code.
3.	Include a reference within the Code of Practice on the use of substitutes. This could include a reference to the need for training, the need for them to familiarise themselves with the report contents in an equivalent way to a permanent Planning Committee member and a deadline for the identification of a substitute prior to a Planning Committee meeting.	Agreed. Substitutes presently attend training. The Code will be amended to make clear substitutes are recommended to read the papers 24hours prior to a committee meeting.	Noted	Para 13.1 and 13.4 of the Code amended.
4.	Reword paragraphs 4.1, 4.3, 6.1 and 7.2 for clarity for the reasons given in section 4 of this report.	Agreed.	Noted	Paragraphs 4.1, 4.3, 6.1 and 7.2 of the Code amended.

5.	Review the section on councillor training to be more explicit about the minimum training expected of councillors to sit on Planning Committee and clarification on the mandatory requirements	Agreed.	Noted	Para 13.1 of the Code amended.
6.	Cross reference procedures for speaking at Planning Committee with the constitutional requirements. This will enable greater transparency and avoid any confusion for both the Planning Committee and the speakers	Agreed.	Noted.	Para 11.5 of the Code amended.
7.	Provide a new section in the Code of Practice to provide guidance to Members of Planning Committee and other councillors on their engagement in the pre application process	Agreed.	Noted.	Guidance is in the process of being finalised.
8.	Include additional items on the Planning Committee agenda periodically to report on appeal decisions and report on Planning performance	Officers are of the view that Planning Committee's remit is for making of decisions and ensuring officers are justifying their recommendations as opposed to reporting on Planning performance. That said, officers will bring the Annual Monitoring Report (AMR) and decisions which have been overturned at appeal to the Planning Committee on a periodic basis.	Agreed – more important where performance is poor or significant appeals against the council, which is not LBB's position.	An Annual Monitoring Report and decisions which have been overturned at appeal will be brought to the Planning Committee on a periodic basis.

9.	Clarify the preference for site visits to be held prior to a Planning Committee meeting rather than deferring a decision for a site visit	In practice, it is very rare to defer a decision for a site visit. However, should it be occur –it also demonstrates that concerns have been taking into account.	Noted. Would like officers to keep it on radar in case it becomes an issue in the future.	Reviewer's comments noted.
10.	Consider additional sections in the Code of Practice to include councillor responsibilities in reviewing live planning applications and how they should be engaged in post decision matters.	Agreed, officers will look at this further.	Noted, especially re appeals and refusals.	Officers are considering this further.

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PLANNING CODE OF PRACTICE

1. PURPOSE OF THIS CODE

- 1.1. The Planning Code of Practice has been adopted by Brent Council to regulate the performance of its planning function. Its major objectives are to guide members and officers of the Council in dealing with planning related matters and to inform potential developers and the public generally of the standards adopted by the Council in the exercise of its planning powers. The Planning Code of Practice is, in addition to the Brent Members' Code of Conduct, adopted by the Council under the provisions of the Localism Act 2011. Members must follow the requirements of the Brent Members' Code and apply this Code in light of the Members' Code. The standards of behaviour expected of officers is set out in a separate Code of Conduct and Conflict of Interest policy which all officers are required to follow. Councillors and officers have different, but complementary roles, however, both serve the public and act in the public interest. Both councillors and officers must make planning decisions openly, impartially, with sound judgment and for justifiable planning reasons. The Protocol for Member /Officer relations provides guidance to members and officers of the council in their relations with one another. In addition, employees have to follow all other relevant HR policies of the Council as well as the terms and conditions of their contract of employment. The purpose of this Code is to provide more detailed guidance on the standards to be applied by members specifically in relation to planning matters.
- 1.2. The Code seeks to ensure that officers and members consider and decide planning matters in a fair impartial and transparent manner. The provisions of this code are designed to ensure that planning decisions are taken on proper planning grounds, are applied in a consistent and open manner and that members of the Planning Committee making such decisions are, and are perceived as being, accountable for those decisions. The Code is also designed to assist members of the Council in dealing with and recording approaches from developers and objectors and is intended to ensure that the integrity of the decision-making process is preserved.
- 1.3. If a member does not abide by this Code the member may put the Council at risk of proceedings on the legality or maladministration of the related decision; and the member may be at risk of either being named in a report to the Audit and Standards Committee or Council; or if the failure to abide by the Code is also likely to be a breach of the Members' Code of Conduct, of a complaint being made to the Monitoring Officer.
- 1.4. If you have any doubts about the interpretation of this code, you should consult appropriate officers on the point.

2. THE PRINCIPLES OF PLANNING AND DECISION MAKING

- 2.1. Members of the Planning Committee shall determine applications in accordance with the relevant planning national, strategic, local and neighbourhood policy framework, unless material considerations indicate. The Brent Members' Code of Conduct and the law relating to Brent Council members' disclosable pecuniary interests and personal interests must be complied with throughout the decision making process. Decisions should not be influenced by the interests of Councillors or because of pressure exerted by applicants, agents or third parties. Members of the Planning Committee must take decisions in the public interest and take account only of material planning considerations. They should not allow themselves to be influenced by members of the public and applicants, agents or third parties who might approach them and they should not be directed by party politics.

- 2.2. The council's planning process is a formal administrative process and members of the Planning Committee have a duty to follow the rules of natural justice and in accordance with the council's duty to act in a way that is compatible with Convention rights under the Human Rights Act 1998.
- 2.3. The rules of natural justice include: the duty to act fairly; the duty to give all those who will be affected by a decision the opportunity of a hearing before a decision is made; and the principle that no person should be a judge in his or her own cause. That principle means that members must be and be seen to be impartial and without bias, and that members should not take part in any decision that affects their own interests.
- 2.4. The Human Rights that are particularly relevant to Planning decisions are Article 6, the right to a fair hearing; Article 1 of the First Protocol, the right to peaceful enjoyment of a person's property and possessions; and Article 8, the right to respect for a person's private and family life, home and possessions.

3. BIAS AND PREDETERMINATION

- 3.1. Members should not take a decision on a matter when they are actually biased (i.e. have a direct or financial interest in the application) in favour or against the application, or when it might appear to a fair minded and informed observer that there was real possibility of bias, or where a member has predetermined the matter by closing their mind to the merits of the planning matter before they come to take a decision on it.
- 3.2. The courts have sought to distinguish between situations which involve predetermination or bias on the one hand and predisposition on the other. The former is indicative of a "closed mind" and likely to leave the committee's decision susceptible to challenge by Judicial Review or complaint to the Ombudsman. The latter reflects the legal position that a councillor is entitled to have an opinion on a planning matter before it comes to committee provided that he/she remains open to listening to all the arguments presented at the meeting and the possibility of changing his/her mind as a result.
- 3.3. Section 25 of the Localism Act 2011 provides that a councillor should not be regarded as having a closed mind simply because they previously did or said something that, directly or indirectly, indicated what view they might take in relation to any particular matter.
- 3.4. Although the Localism Act recognises the reality of the role of members in matters of local interest and debate, it does not amount to the abolition of the concept of predetermination. A member taking part in a decision on a planning matter must be open to any new arguments about the matter up until the moment of a decision. A member should not comment or make any commitment in advance as to how they intend to vote which might indicate that they have closed their mind. Any planning decision made by a member who can be shown to have approached the decision with a closed mind will still expose the council to the risk of legal challenge.

4. ACCOUNTABILITY AND INTERESTS

- 4.1. Members of the Council who have business or other interests which may bring them into contact with the Council's planning system on a regular basis should not be considered for membership of the Planning Committee. Those interests might include acting as an agent or consultant with respect to planning applications in the borough.
- 4.2. If a member who is not a member of the Committee makes representations to the Committee, either in person or in writing, the member shall state the reason for wishing to do so. Such a member shall disclose whether or not he/she has been in contact with the applicant, agent, objector(s) or any other interested party concerning the planning matter.
- 4.3. If a member of the Council has a personal interest in any planning application which results in an actual or perceived conflict of interest they should declare that interest as soon they become aware of the interest and should not take no part in the consideration of that matter. If a member is unsure as to whether they must declare an interest or their involvement in respect of a planning matter they should seek advice from the Council's Legal Service.
- 4.4. If, in accordance with paragraph 24 of the Members' Code of Conduct, the interest is a '**sensitive interest**', the member must disclose to the meeting that he/she has an interest that is sensitive but need not disclose the nature of the interest or any other sensitive information. The member may then, subject to paragraph 4.4, speak and, if applicable, vote on that particular item.
- 4.5. However, if the personal interest is such that a member of the public knowing the facts would reasonably regard it as so significant that it is likely to prejudice the member's judgement of the public interest, then the member must not take part in the discussion or vote on the matter, save that if a member of the public has the right to attend the meeting, make representations, answer questions, or give evidence, then the member will have the same right. Once the member has exercised that right then the member must withdraw from the room for the rest of that item and play no further part in the discussion or vote.
- 4.6. If a member of the Council is aware he/she has a **disclosable pecuniary interest** in any planning application or other matter before the Planning Committee, then the member shall, if present, disclose the existence and nature of the interest before the matter is discussed or as soon as it becomes apparent. If, in accordance with paragraph 24 of the Members' Code of Conduct, the interest is a 'sensitive interest', the member must disclose to the meeting that he/she has an interest that is sensitive but need not disclose the nature of the interest or any other sensitive information. If a member has a disclosable pecuniary interest in a planning matter the member must withdraw from the room where the meeting is being held and not take part in the discussion or vote on the matter. If a member has a disclosable pecuniary interest these prohibitions apply to any form of participation, including speaking as a member of the public. In other words, it does not matter in what capacity the member attends the meeting.
- 4.7. If a member has a disclosable pecuniary interest in any planning application or other matter before the Planning Committee, and the interest is not entered in the council's register, and is not the subject of a pending notification, he/she must notify the Monitoring Officer of the interest before the end of 28 days beginning with the date of the meeting.

- 4.8. A failure to comply, without reasonable excuse, with the rules relating to disclosable pecuniary interests can be an offence.
- 4.9. If a member of the Council has a disclosable pecuniary interest or a personal interest (which is so significant that it is likely to prejudice the member's judgement of the public interest) in a planning application or other matter before the Committee, he/she shall not exercise his or her discretion to require the application or other matter to be referred from officers to the Planning Committee for consideration.
- 4.10. For the avoidance of doubt, where a member of the Council is a Freemason or a member of a similar secret society and is aware that the applicant, agent or other interested party in relation to a particular planning application is also a Freemason or a member of the same secret society, the member shall treat this as a personal interest which is so significant that it is likely to prejudice the member's judgement of the public interest.
- 4.11. The Monitoring Officer shall maintain a register of contacts made by applicants, agents or interested parties with individual members of the Council on each and every planning application, in which members of the Planning Committee must record approaches referred to in paragraph 26 and other members of the Council may record such approaches if they so wish.
- 4.12. If any officer of the Council who is involved in making recommendations or decisions on planning applications has had any involvement with an applicant, agent or interested party, whether or not in connection with the particular application being determined, which could possibly lead an observer with knowledge of all the relevant facts to suppose that there might be any possibility that the involvement could affect the officer's judgement in any way, then that officer shall declare a prejudicial interest in the public register held by the Corporate Director Communities and Regeneration and take no part in the decision making process. The declaration of such interest shall also be recorded in the minutes of the meeting. This public register will be available for inspection at Planning Committee meetings.
- 4.13. No officer of the Council shall engage in any paid work for any town planning matter for which Brent is the Local Planning Authority other than on behalf of the Council.
- 4.14. In relation to all matters not addressed above, all such officers shall comply with the Royal Town Planning Institute Practice Advice on Ethics and Professional Standards, or any guidance replacing this.
5. A detailed protocol for **call-in**, which enables a decision to be reviewed before it is implemented, is set out in the "Protocol on Call-in" (Part 5 of the Constitution); and the Planning Committee terms of reference (Part 3 of the Constitution).
6. **DEVELOPMENT PROPOSALS SUBMITTED BY COUNCILLORS, OFFICERS AND THE COUNCIL**
 - 6.1. If a Councillor submits an application for planning permission they must inform the Council's Monitoring Officer of such a planning application. If the application can be dealt with under officer delegated powers, the decision must be approved by either the Head of Planning or the Corporate Director Communities and Regeneration. Councillors must not use or attempt to use their position as a Member improperly to confer on or secure for themselves or any other person, an advantage or disadvantage. When Councillors seek to exercise rights that others would have in their situation, they must do so in the same way that a member of public would i.e. at arm's length and

using the same official processes. This process and transparency requirements also applies to Councillors assisting an interested party.

- 6.2. If an Officer submits an application for planning permission, and the application can be dealt with by delegated powers, the decision must be approved by either the Head of Planning or the Corporate Director Communities and Regeneration. Officers must not use or attempt to use their position as a Council Officer to improperly confer on or secure for themselves or any other person, an advantage or disadvantage. When Officers seek to exercise rights that others would have in their situation, they must do so in the same way that a member of public would i.e. at arm's length and using the same official processes

Development proposals where the Council is the applicant or landowner

- 6.3. Where the council itself is the landowner or planning applicant then a Planning member should consider whether he or she has had such a significant personal involvement in advocating for, preparing or submitting the planning proposal that the member would be likely to be perceived as no longer able to act impartially or to determine the proposal purely on its planning merits. A member would not be required to withdraw simply because they were, for example, a member of both the Cabinet, or a proposing committee, as well as the planning committee. However a member with a relevant portfolio or individual responsibility for implementing a particular policy should carefully consider whether that role makes it inappropriate for them to participate in a particular planning decision.

7. APPROACHES TO MEMBERS OF THE PLANNING COMMITTEE (LOBBYING)

- 7.1. Lobbying is normal in both politics and in planning decisions. A member of the Planning Committee who has been lobbied and wishes to support or oppose a proposal or a Ward Councillor who wishes to campaign for or against a proposal, will not be able to decide the application.
- 7.2. Members who sit on Planning Committee should not approach an interested party without first speaking to a relevant planning officer and should never meet an applicant without a council officer being present. If an approach is made to a member of the Planning Committee from an applicant or agent or objector or other interested party in relation to a particular planning application or any matter which may give rise to a planning application, the member of the Planning Committee shall:
 - (i) inform the person making such an approach that such matters should be addressed to officers or to members who are not members of the Planning Committee.
 - (ii) disclose the fact and nature of such an approach at any meeting of the Planning Committee where the planning application or matter in question is considered; and
 - (iii) record the approach in the register maintained by the Monitoring Officer under paragraph 18.
- 7.3. For the avoidance of any doubt, if the applicant, agent or objector or other interested party attend and/or speak at a Council organised briefing for members of the Planning

Committee then that briefing does not constitute an approach which has to be registered with the Monitoring Officer or disclosed under (ii).

- 7.4. Where a planning application is to be determined under delegated powers Councillors should not put improper pressure on officers for a particular recommendation or do anything which compromises, or is likely to compromise the officer's impartiality.

8. DISCUSSIONS BETWEEN MEMBERS AND MEETINGS WITH DEVELOPERS OR THEIR REPRESENTATIVES

- 8.1. Provided Members comply with the practical requirements of this code and the requirements of the Members' Code of Conduct, there is no legal rule against Members, whether of the same group or not, discussing strategic planning issues, general policy issues or even future decisions.
- 8.2. Similarly, joint working, both formal and informal, and dialogue between Members of the Planning Committee and Members of the Cabinet is recognised as a legitimate reality of local government life. Members of the Planning Committee need to ensure that when making planning decisions, they make up their own mind and on the planning merits.
- 8.3. Relevant Members of the Cabinet are entitled to meet with developers or their representatives and other relevant stakeholders as part of their role to promote Brent and the regeneration, development and other commercial opportunities available in the borough. In doing so, Members of the Cabinet must always act in the best interests of the council and ultimately in the public interest, and in accordance with the high standards of conduct expected of Members, to ensure that the integrity of the planning process is not undermined and the council is not brought into disrepute.
- 8.4. Reasonable care and judgement should be exercised in relation to such meetings, taking into account the purpose of the meeting, the nature of the issues to be discussed and the timing. In appropriate circumstances, exercising proper judgement may include ensuring a record is kept of the meeting. Cabinet Members should make sure it is understood that their participation in marketing events or commercial discussions is separate from the administrative and regulatory roles of Members of the Planning Committee.
- 8.5. Although Members of the Cabinet are entitled to express support or opposition to development proposed in the borough, they cannot use their position as a Member improperly to confer on or secure for any person, an advantage or disadvantage.
- 8.6. As pre-application discussions or discussions about undecided applications require particular care, the following additional rules apply. An officer must make the arrangements for such meetings, attend and write notes. The meeting arrangements must include agreeing an agenda in advance.

9. PLANNING COMMITTEE SITE VISITS

- 9.1. The purpose of a site visit is to enable Planning Committee Councillors to view the site and to better understand the impact of the development. Councillors can however ask the Planning Officer present questions or raise points of clarification.
- 9.2. The Chair of the Committee and the Head of Planning shall agree which sites should be visited in advance of the Committee meeting. A site visit should not be necessary

for all proposals, only where a proposal appears to be particularly contentious, is of major importance to the area, or the particular circumstances of the site mean that photos, images and plans do not sufficiently portray the site's context.

- 9.3. Members of Planning Committee shall not enter any premises which are the subject of a planning application or other matter or known by them to be likely to become such in order to meet the agent, applicant or other interested party, save in the course of a formal accompanied site visit. In exceptional circumstances such as where a member of the Planning Committee is unable to attend the official site visit that has been arranged, a site visit by an individual member may be carried out. The Councillor should avoid making themselves known to the applicant or to neighbours. Accordingly, he/she should not go onto private land, such as the application site or a neighbouring property. The reason for this is that contact between a Planning Committee Councillor and the applicant or a local resident could be misinterpreted as lobbying and may create a suspicion of bias. If such contact is made this should be declared in Committee, but this should not prevent that Councillor from taking part in the consideration of that application.
- 9.4. Whilst on site visits, members of Planning Committee shall keep together as a group and shall not engage individually in discussion with applicants or any members of the public who happen to be there. Members attending the site visit should avoid expressing opinions about the application either to another Planning member, or to any person present.
- 9.5. Failure to attend a formal site visit shall not bar a Planning Committee Councillor from voting on an item at the Committee meeting that considers it, provided the Planning Committee Councillor is satisfied that he/she is sufficiently familiar with the site.

10. MEMBERSHIP AND JURISDICTION OF THE PLANNING COMMITTEE

- 10.1. When the membership of the Planning Committee is determined, care shall be taken to ensure that for each Ward there is always at least one Councillor who is not a member of Planning Committee. This is so that there will always be a Councillor who is not a member of the Planning Committee with whom residents will be able to discuss planning matters.
- 10.2. Any briefings which may be held prior to the Planning Committee meetings shall be open to all members (and alternates) of the Planning Committee.

These briefings can help to speed up decision making by giving officers notice of additional information members of the Planning Committee may require at the meeting.

- 10.3. All members of Planning Committee, and in particular the Chair, shall be informed from time to time about the relevant provisions concerning access to information contained in the Local Government Act 1972 and in the event of any dispute between members of the Planning Committee and officers as to the application of the 1985 Act, the advice of the Corporate Director of Governance or his or her representative shall be obtained forthwith.

11. MEETINGS OF THE PLANNING COMMITTEE

- 11.1. As decision makers' members of the Planning Committee must not only ask themselves the right questions but must take reasonable steps to acquaint themselves with the relevant information to enable themselves to answer them correctly. If, for example, material amendments are made to an application, and members feel they

have not had sufficient time to understand the new information or that the information before them is insufficient, consideration should be given to deferring the decision or, if necessary, refusing the application.

- 11.2. At meetings, members of the Planning Committee may be given the opportunity to consider material (e.g. written statements, photos, drawings etc.) circulated by one of the interested parties or the public. As this material may not be relevant or accurate or may otherwise call into question whether an application or matter has been dealt with fairly and properly, members should only consider material which officers have provided or which the Chair or the Committee has authorised.
- 11.3. Members are entitled to make a decision which is different from the officer recommendation for good reasons. Sometimes this will relate to conditions or terms of a s106 obligation. Sometimes it will change the outcome, from an approval to a refusal or vice versa. If a member is proposing or supporting a decision contrary to the officer recommendation he/she must understand, articulate and explain the planning reasons why. These reasons must address the issues on which the member disagrees with the officer recommendation and be given prior to the vote and recorded in detail by officers. Also prior to the vote, officers must be given an opportunity to explain the implications of the contrary decision, including an assessment of a likely appeal outcome, and chances of a successful award of costs against the council. Where there is uncertainty or concern about the validity of reasons, members must consider deferring to another meeting to have the reasons tested and assessed by officers in a follow-up report. All of these requirements are the individual responsibility of each member departing from an officer recommendation.
- 11.4. Members of the Planning Committee shall refrain from personal abuse and party political considerations shall play no part in their deliberations. Members of the Planning Committee shall be respectful to the Chair and to each other and to officers and members of the public including applicants, their agents and objectors and shall not bully any person.
- 11.5. Members of the Planning Committee should not speak to members of the public (including applicants, [agents](#) and journalists) during a meeting of the Planning Committee or immediately prior to or after the meeting concerned, other than where permitted by this Code or Standing Orders [57 set out in Part 2 of this Constitution which addresses the speaking rights of members of the public.](#)
- 11.6. When questioning members of the public or the applicant who have spoken at a meeting of the Committee, members of the Planning Committee shall ensure that their questions relate only to planning matters relevant to the particular application, and the question should not be party political.
- 11.7. A member of the Planning Committee shall not vote in relation to any planning matter unless he or she has been present in the meeting of the Planning Committee throughout the consideration of that particular matter as required by Standing Orders.
- 11.8. Unless all members of the Planning Committee indicate that they intend to vote in accordance with the officers' recommendation on a particular item, the responsible officer shall be allowed time, at the beginning of the consideration of each application, to summarise his or her advice. If after discussion it appears that any member of the Planning Committee is minded to vote contrary to the officers' recommendation, the officer shall be allowed a further opportunity to respond to new points which have been raised, and to address the implications of a contrary decision.

12. MEMBER AND OFFICER RELATIONS

- 12.1. Any criticism by members of Planning Committee of officers in relation to the handling of any planning matter shall be made in writing to the Corporate Director Communities and Regeneration and not to the officer concerned. No such criticism shall be raised in public.
- 12.2. If any officer feels or suspects that pressure is being exerted upon him or her by any member of the Council in relation to any particular planning matter, he or she shall forthwith notify the matter in writing to the Corporate Director Communities and Regeneration.
- 12.3. Members of Planning Committee shall not attempt in any way to influence the terms of the officers' report or recommendation upon any planning matter.

13. TRAINING FOR PLANNING COMMITTEE

- 13.1. Members of the Planning Committee (and substitute members) must participate in a programme of training on the planning system and related matters as decided by the council from time to time. This training is mandatory for members (including substitute members) of the Planning Committee.- If a Member (including substitute members) of the Planning committee fails to participate in the training this may result in that member being asked to stand down as a member of Planning Committee.
- 13.2. Members should be aware that training is particularly important for members who are new to the Planning Committee and for members who have not attended training in the recent past.
- 13.3. Where a member has a genuine difficulty in participating in any particular training session officers will try when practicable to accommodate a request for an individual or repeat session.
- 13.4. Substitute members are recommended to familiarise themselves with the Planning Committee papers 24 hours prior to a Planning Committee meeting to ensure they are familiar with the issues before the committee, in the event they are required to attend.

14. Roles of Members and Officers

- 14.1 Members and officers have different but complementary roles. Both serve the public but members are responsible to the electorate, whilst officers are responsible to the Council as a whole.

Role of the Chair of Planning Committee

- a) To chair the Planning Committee in accordance with the agreed protocols and terms of reference.
- b) To foster and seek to maintain a disciplined approach by the Councillors involved having regard to high standards of behaviour and conduct including the Planning Code of Practice.
- c) To ensure that contributions by the public to meetings are facilitated and controlled in accordance with the agreed procedure.
- d) To conduct site visits by the Committee, if applicable.

Role of members

- a) To act fairly, openly and apolitically;
- b) To approach each planning application with an open mind, avoiding pre-conceived opinions;
- c) To carefully weigh up all relevant issues;
- d) To determine each application on its individual planning merits;
- e) To avoid undue contact with interested parties; and
- f) To ensure that the reasons for their decisions are clearly stated.

Where a member, who is neither a member of, nor a substitute on the Planning Committee, attends a meeting of the Committee, he or she is also under a duty to act fairly and openly and avoid any actions which might give rise to an impression of bias or undue influence.

Role of Planning Officers

Planning Officers advise Councillors on planning policy and planning applications.

Their role is to:

- a) provide professional, objective and comprehensive advice;
- b) provide a clear and accurate analysis of the issues;
- c) advise on the Development Plan and other material considerations;
- d) give a clear recommendation; and
- e) implement the Committee's/Council's decisions (including those made by Officers under powers delegated to them).

15. REVIEW OF CODE OF PRACTICE

The Corporate Director of Governance will commission a report independent of the planning service in early 2018, and once every four years thereafter on the operation of this Code of Practice. The report should address the extent of compliance with this Code by officers and members, contain an analysis of decisions being made against officers' recommendations and set out any appropriate recommendations for improvement.

A&SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA						
Topic / Date	07-Jun-22	01-Aug-22	20-Sep-22	07-Dec-22	07-Feb-23	21-Mar-23
Internal Audit & Investigations						
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
External Audit						
External Audit progress report		X	X	X	X	X
External Audit plan	X					
Draft Statement of Accounts & External Auditor's Report		X				
External Audit Appointment Report					X	
Annual Auditor's Report			X			
Financial Reporting						
Treasury Management Mid-term Report				X		
Treasury Management Strategy				X		
Statement of Accounts		X	X*			
The Brent Pension Fund Accounts & External Auditor's Report			X			
Treasury Management Outturn Report	X					
Governance						
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*					
Risk Management						
Strategic Risk Register Update	X				X	
Emergency Preparedness			X			
Audit Committee Effectiveness						
Review the Committee's Forward Plan	X	X	X	X	X	X
Review the performance of the Committee (self-assessment)						
Training Requirements for Audit Committee Members as required						
Standards Matters						
Standards Report (including gifts & hospitality)	X	X	X		X	X
Annual Standards Report						X
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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