



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE

Held in the Conference Hall, Brent Civic Centre on Wednesday 7 December 2022 at 6.00 pm

PRESENT: David Ewart (Chair), Councillor Chan (Vice-Chair) and Councillors Long, Kabir, Smith, S Butt, Choudry and Patel

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**

None received.

2. **Declarations of Interest**

David Ewart (Chair) declared a personal interest as a member of CIPFA.

3. **Deputations (if any)**

None received.

4. **Minutes of the previous meeting**

RESOLVED that the minutes of the previous meeting held on Thursday 29 September 2022 be approved as a correct record.

Members also noted the update provided in relation to the Action Log of issues identified at previous meetings. In considering the actions outlined, the Committee requested a further progress update at a future meeting on development and use of the Financial Inclusion Dashboard.

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

None.

6. **Treasury Management Strategy**

Amanda Healy, Head of Finance, introduced a report updating the Committee on the draft Treasury Management Strategy (TMS) for 2023/24. Members were asked to note that the final version of the TMS incorporating the views of the Committee would be included in the annual budget setting report to be presented to Cabinet on 6 February 2023. In considering the report the Committee noted:

- The strategy was currently in draft format and would be finalised for inclusion as part of the annual budget setting report due to be presented to Cabinet and Council in February 2023.
- The Strategy set out the framework for the Council's Treasury Management activity in 2023/24 and included an outline of the Council's borrowing strategy and sources of debt finance (including the Liability Benchmark); investment strategy (including types and prescribed limits); Treasury Management Indicators for 2023/24; alternative options & strategies along with an external and local context.
- The Strategy had been produced in compliance with the CIPFA Treasury Management Code of Practice & Prudential Code for Capital Finance.

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

- Following a Committee query regarding how the Capital Financing Requirement (CFR) was determined, officers confirmed that the CFR was based on an internal calculation designed to measure the underlying need to borrow for capital purposes based on usable reserves and working capital as the main resources available for investment.
- The Committee sought clarification as to how the authorised borrowing limit had been agreed. In response the Committee were advised that a number of factors were considered when calculating the authorised borrowing limit, these included looking at the CFR forecast over the next 5 years, the Council's budget and the funding sources available.
- The Committee were also keen to consider how levels of borrowing were kept under review, particularly in relation to their impact on the revenue budget and ongoing capital programme requirements given the current volatility in the financial markets and challenging economic context. Officers advised that the Council's Revenue and Capital budget were subject to regularly quarterly monitoring updates considered by Cabinet and this would also form part of the Council's main budget setting process in February 2023. Parallel to this, monitoring was also undertaken through the Treasury Management Mid-Year review process which measured how the Council was delivering against its borrowing requirements.
- Given the wider economic context and financial pressures impacting on delivery of the TMS further details were sought on any potential slippage as a result of pressures on the Capital Programme. The Committee noted that in terms of the capital programme annual slippage of up to 10% would be in line with general expectations, however in light of pressures relating to rising inflation combined with the increased cost of borrowing and a shortage of labour and materials adversely impacting on the financial viability of schemes it was anticipated there may be increased slippage in capital programme completion over the next reporting period. Where there were significant risks to capital projects, the Cabinet were informed with regular reporting.
- Following a Committee question regarding if debt rescheduling was an option that could be taken advantage of in the current financial climate, officers confirmed that debt restructuring opportunities were not currently being considered as an option as the current situation provided better opportunities for additional borrowing, if necessary. The Committee were assured that loans, particularly Lender Option Borrow Option loans (LOBOS) were

continually monitored to ensure that any opportunities to gain a financial betterment were actioned.

Having fully considered the report and with no further questions, the Chair thanked officers for the information and update provided and it was **RESOLVED** to note and endorse the Treasury Management Strategy 2023-24, as detailed within Appendix 1 of the report.

7. **Treasury Management Mid-Year Report 2022-23**

Amanda Healy, Head of Finance, introduced a report updating Members on treasury activity for the first half of the financial year 2022-23 with a view to the Committee noting the report and the Council's compliance with the Council's Treasury Management indicators.

In considering the report the Committee noted:

- The economic context under which the Council's Treasury Management Strategy had been operating including the ongoing impact of the war in Ukraine current rate of inflation and higher interest rates along with the ongoing uncertainty and volatility in relation to financial markets.
- The work being undertaken, recognising the increase in borrowing costs, to take advantage of optimal points in the market to access new borrowing opportunities.
- The update provided in relation to the Council's debt management position, as detailed within section 3.18 – 3.32 of the report, Members were advised that new external borrowing had been minimised to meet cash flow requirements, which included borrowing to support the viability and affordability of the Capital Programme during current market volatility. The estimated borrowing requirement for the remainder of the financial year 2022/23 was noted as being in excess of £50m, which took account of the Council's ongoing capital financing requirement, usable reserves, planned capital expenditure and minimum revenue provision.
- The Council's main objective when borrowing remained to ensure an appropriate balance between securing low interest costs and achieving cost certainty. In terms of long-term borrowing options the Public Works Loan Board (PWLb) remained the main source, however, other low cost forward funding options also continued to be explored as opportunities arose
- The update provided in relation to the Council's Treasury Investment Activity, as detailed in sections 3.33 – 3.41 of the report with most of the Council's funds continuing to be held in Money Market Funds. The increased return on these funds had resulted in the funds paying favourable rates between 1.8% -2.09%.
- The benchmarking of Brent's portfolio against other Local Authorities that fell within the remit of Arlingclose (Brent's treasury advisor) provided a good comparison against Brent's representative peers. The benchmarking evidenced that Brent had a comparatively low risk profile coupled with shorter dated investments that subsequently equated to a lower yield.

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

- In terms of the benchmarking with other councils the Committee enquired how Brent's investment portfolio compared specifically against other London boroughs which officers advised could be identified and shared at a future meeting.
- The Committee queried whether or not the £60million of borrowing for projects indicated in the report were for projects that would definitely be going ahead or were a means to ensure there would be money available for future use. In response the Committee were advised that much of the borrowing formed part of Council's ongoing cash requirement to support the capital programme and was not necessarily linked to a specific project. It was noted that the borrowing undertaken was dictated by liability benchmarking and once a project was approved to go ahead, internal borrowing would be utilised initially.
- With reference to the viability assessments for schemes on the capital programme being based on a borrowing rate of approx. 4%, the Committee queried if the Council were confident they could achieve this figure on all borrowing or if there would need to be more flexibility, given the levels of borrowing required. In response officers confirmed that the interest rate forecasts suggested that opportunities to secure loans at a rate of around 4% remained achievable, however in light of increased market volatility should this position change then the approach towards viability assessments would need to be reviewed.
- In terms of the managing LOBO loans, the Committee were advised that they were regularly reviewed and decisions about when to exit agreements were made if/when the rate was beneficial to the Council.
- In view of the update included within the report regarding access to UK Infrastructure Bank (UKIB) Loans in support of schemes related to net zero and the advantageous rates available, further details were requested for a future meeting on the specific arrangements and criteria in being able to access these lending opportunities given the way they also matched the Council's climate ambitions and pledge to build more new homes.
- It was confirmed that the balance sheet resources listed under the Prudential Capital Financing Requirement and Liability Benchmark had remained static as balance sheet resources looked at collective reserves the Council had in line with the challenging economic climate. It was difficult to predict the reserve levels going forward as they contained a mix of grants and reserves for specific purposes along with a number of other factors that fed into the balance. Therefore in terms of modelling it was found to be most helpful to maintain the figures and amend when further information was confirmed.

As no further questions were raised the Chair thanked officers for the report and the Committee **RESOLVED** to note the 2022-23 Mid-Year Treasury report for reference on to Cabinet and Council including that the Council had been fully compliant with the Council's Treasury Management indicators.

8. **Counter Fraud Interim Report 2022-23**

Darren Armstrong, Head of Audit & Investigation introduced the report which summarised the counter fraud activity that the Council had undertaken from 1st April to 30th September 2022.

In considering the report the Committee noted:

- That the report covered multiple fraud types that included internal fraud and whistleblowing, external fraud, tenancy and social housing fraud, and the proactive activity undertaken to identify and reduce fraud.
- The details provided in relation to internal fraud which, whilst typically having the fewest referrals, were often more complex in nature as detailed in Table A within Section 3.1 of the report.
- The update provided in relation to Tenancy & Social Housing Fraud with the recovery of social housing properties by the Counter Fraud team providing a positive impact upon the temporary accommodation budget as the average value of each recovered tenancy was approximately £93,000 per property, therefore this area of fraud remained a high priority area for the Counter Fraud team to manage.
- The update provided in relation to External Fraud, which had seen an increase in the number of cases opened in the reporting period (127 cases) against the same period last year (79 cases) much of which related to Blue Badge and parking permit referrals. Further details of the figures related to external fraud were detailed within Table C Section 3.11 of the report.
- The team continued to undertake a broad range of proactive activity including National Fraud Initiative (NFI) data matching, fraud workshops and targeted operations to support the identification, investigation and reduction in fraud.

The Committee was then invited to raise questions on the report which have been summarised below:

- In relation to Blue Badge thefts, the Committee queried if there were plans to digitalise blue badges to mitigate further blue badge theft and fraud. Officers confirmed that this remained an area under constant review, however they were not aware of any specific proposals at present in terms of digitalisation.
- The Committee queried if the recruitment issues detailed in the report were exclusively internal issues and if the same level of employment checks were undertaken for Brent contractors. The Committee were advised that the cases in the report related to internal recruitment referrals, adding that as part of internal audit procedures a review was recently undertaken to review agency and contractors workforce to provide assurance of recruitment and vetting procedures for agencies.
- In relation to concern regarding the level of certain cases relating to rent arrears, the Committee were assured that where an investigation was completed, a report with recommendations (where necessary) would be produced for management response which would then be kept under review in order to avoid similar issues in the future.
- The Committee required clarification as to how Brent's fraud activity compared with other boroughs. In response the Committee were advised that it was challenging to benchmark counter fraud activity against other boroughs due to the number of variables to consider in terms of the level and quality of referrals received. The Committee were assured that discussions regularly took place with other London boroughs counter fraud teams to identify specific trends and patterns. Where these were identified, mitigations were put in place to challenge and reduce the specific areas identified.

- The Committee required clarification on the difference between fraud related issues and enforcement related issues in terms of Brent's counter fraud activity. It was clarified that the Council held specific statutory powers to manage enforcement issues, whereas cases of fraud were not as clear cut. In terms of the consequences, enforcement could see considerable costs awarded via fines issued however fraud cases would usual result in criminal prosecution.
- It was noted that referrals for fraud cases involving social housing sub-lets were at a high level, however figures suggested that 90% of referrals were not progressed and were closed after initial enquiries had been made. The Committee queried the impact a possible investigation would have on residents where it was later found to be unnecessary to proceed further. In response officers advised that not every case was a full investigation with discreet enquiries being sought initially, therefore residents were unlikely to be negatively impacted by this.
- The Committee welcomed the action taken to ensure the Counter Fraud team was now fully staffed and positive impact this was having in the delivery of effective robust counter fraud actions. It was felt this was indicative of the high value that Brent placed on effective counter fraud systems.
- The Committee were advised that the fraud team continued to explore the market to seek any new technology that would enhance the service by increasing opportunities for identifying fraud.

As no further issues were raised the Chair thanked officers for their hard work and efforts in relation to the ongoing delivery of counter fraud activity and it was **RESOLVED** to note the contents of the report and counter fraud activity undertaken from April – September 2022.

9. Internal Audit Interim Report 2022-23

Darren Armstrong, Head of Audit & Investigations introduced the report that outlined the work undertaken by the Internal Audit team in respect of the delivery of the 2022-23 Internal Audit Plan.

In considering the report the Committee noted:

- The continued delivery of the Council's Internal Audit function in accordance with the Public Sector Internal Audit Standards (PSIAS) which set out the requirements for public sector internal auditing and encompassed the mandatory elements of the Institute of Internal Auditors (IIA) in relation to delivery of an annual risk based audit plan.
- The 2022 -23 Internal Audit Plan had been agreed by the Audit and Standards Advisory Committee in March 2022 and had been developed to provide assurances against key risk areas that may have threatened the achievement of the Council's corporate objectives and priorities.
- That Internal Audit had continued to provide consultancy and advice work as and when required across a range of Council areas, during the reporting period six additional pieces of work had been undertaken.

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

- The Committee queried whether the vacancy that had been carried within the team had impacted on delivery of the plan. Whilst outlining the impact of the vacancy (which it was confirmed had now been filled) officers advised that the 90% target completion of the Annual Internal Audit Plan by 31 March 2023 remained on track. Additionally, it was pointed out that the team had still been able to respond effectively to emerging high risk areas as and when they had presented throughout the year.
- The Committee required clarity as to whether the audit areas listed in Appendix 1 that stated they were “in progress” were actively underway. In response officers confirmed that these audits were actively being progressed with updates to reported back to the Committee in Quarter 4 2022-23.
- Following a query as to whether the Grants Audit and the You Decide Participatory Budgeting Grant Audit would be completed together given they both related to grants, officers advised that they were two separate pieces of work as the Grants Audit related to grants the Council received whereas the You Decide audit was focused on grants the Council awarded to Community groups.

As no further issues were raised the Chair, on behalf of the Committee, thanked Darren Armstrong and his team for what they felt was a well produced report that allowed the Committee to gain a clear understanding of the delivery, outcome and performance of the Internal Audit Plan and in commending the team for their efforts it was **RESOLVED** to note the update provided.

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

Ciaran McLaughlin, Grant Thornton External Audit, was then welcomed to the meeting and invited to provide the Committee with a verbal update on the progress in completion of the audit of the Council's 2021-22 Statement of Accounts.

In considering the update provided, the Committee noted:

- That the audit process had been delayed as a result of a national issue previously reported relating to the accounting requirements for the calculation of asset values of highways infrastructure, however the statutory instrument relating to infrastructure assets had now been confirmed by the government with an effective date of 25 December 2022, therefore the auditors would be in a position to complete that part of the audit in the new year.
- Further outstanding areas of the audit included finalising the valuation of PFI housing assets, additionally the auditors required an updated set of accounts to check final adjustments and disclosures.
- Once complete, the intention was to be in a position to sign off the accounts (including the Pension Fund) by the end of January 2023.
- In terms of the Auditors Annual Value for Money report, it was intended to issue the draft report for management response by the end of December 2022 with the aim to be able to sign off the final report by the end of January 2023. The Committee were pleased to note that no significant weaknesses had been identified in relation to the audit work undertaken to date.

The Chair thanked Ciaran McLaughlin for providing the Committee with a verbal update which the Committee **RESOLVED** to note.

11. **Forward Plan and Agenda for the next meeting**

It was **RESOLVED** to note the Committee's current Forward Plan and Work Programme for 2022-23 and the date of the next meeting as Tuesday 8 February 2023.

In terms of the work programme Vineeta Manchanda, Independent Member, felt it would be helpful for the Committee to explore undertaking a self-assessment review, which officers advised they were in the process of taking forward and would report back to the next meeting.

12. **Any other urgent business**

There were no items of urgent business so as the final Committee meeting before Christmas the Chair took the opportunity to thank all members for their support over the year and to wish everyone all the best for the festive season.

The meeting closed at 7.10 pm

David Ewart
Chair