



Audit and Standards Advisory Committee

Tuesday 7 February 2023 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
J. Patel

Councillors:

Afzal, Agha, Begum, Gbajumo, Molloy and Shah

Councillors:

Kansagra and Mistry

Independent Co-Opted Members

Vacant

Independent Advisor

Vineeta Manchanda

For further information contact: Natalie Connor, Governance Officer
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Notes for Members - Declarations of Interest:

If a Member is aware they have a Disclosable Pecuniary Interest* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest** in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

***Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences** - Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

****Personal Interests:**

The business relates to or affects:

- (a) Anybody of which you are a member or in a position of general control or management, and:
 - To which you are appointed by the council;
 - which exercises functions of a public nature;
 - which is directed is to charitable purposes;
 - whose principal purposes include the influence of public opinion or policy (including a political party or trade union).
 - (b) The interests of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;
- or

A decision in relation to that business might reasonably be regarded as affecting the well-being or financial position of:

- You yourself;
- a member of your family or your friend or any person with whom you have a close association or any person or body who is the subject of a registrable personal interest.

Agenda

Introductions, if appropriate.

Item	Page
1 Apologies for absence and clarification of alternate members	
2 Declarations of Interest	
Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.	
3 Deputations (if any)	
To hear any deputations received from members of the public in accordance with Standing Order 67.	
4 Minutes of the previous meeting	1 - 12
To approve the minutes of the meeting held on Wednesday 7 December 2022 as a correct record and note the action log arising from previous meetings.	
5 Matters arising (if any)	
To consider any matters arising from the minutes of the previous meeting.	
Audit Item	
6 Review of Internal Audit External Quality Assessment Outcomes	13 - 48
This report presents the outcomes of the Internal Audit External Quality Assessment, undertaken in Quarter 3 2022-23.	
Standards Items	
7 Standards Report (including quarterly update on Gifts & Hospitality and mandatory training)	49 - 58
The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members, the attendance record for Members in relation to mandatory training sessions and on any matters relevant to their responsibility for standards matters including the	

summary of a recent Local Government & Social Care Ombudsman (LGSCO) case.

Audit & Finance Items

- | | | |
|-----------|--|---------------|
| 8 | Brent Council Statement of Accounts 2021/22 | 59 - 60 |
| | To receive an update on the completion of the Council's Annual Statement of Accounts 2021-22. | |
| 9 | LB Brent Audit Findings Report 2021/22 | 61 - 116 |
| | To receive an update on completion of the final report from Grant Thornton (External Auditors) regarding the 2021/22 Audit Findings. | |
| 10 | Brent Pension Fund Audit Findings Report 2021/22 | Verbal Update |
| | To receive a verbal update from Grant Thornton (External Auditors) on completion of their final Pension Fund Audit Findings for 2021/22. | |
| 11 | Auditor's Annual Report on the London Borough of Brent | 117 - 148 |
| | This report presents the Council's external auditor's annual report on value for money as part of the 2021/22 audit of the year end accounts and sets out the key recommendations. | |
| 12 | Strategic Risk Register Update | 149 - 168 |
| | This report provides an update on the Council's Strategic Risk Register, which summarises the Council's corporate risk profile as of January 2023. | |
| 13 | External Appointment Update | 169 - 170 |
| | This report confirms the appointment of the Council's External Auditor from 2023-24 onwards. | |
| 14 | Evaluating the Reflectiveness of the Committee | 171 - 184 |
| | This report sets out the suggested approach and timescales for the Audit and Standards Advisory Committee undertaking a self-assessment to review and measures its effectiveness | |
| 15 | External Audit Progress Report and Sector Update | Verbal Update |
| | To receive a verbal update on progress in delivering Grant Thornton's responsibilities as the Council's external auditors along with a summary of | |

any emerging national issues and developments that may be relevant to Brent as a local authority.

16 Forward Plan & Committee Work Programme

185 - 186

To review and note the Committee's work programme for 2022-23.

17 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or her representative before the meeting in accordance with Standing Order 60.

Date of the next meeting: Tuesday 21 March 2023



- Please remember to ***SWITCH OFF*** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided 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 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

**London Borough of Brent
Audit & Standards Advisory Committee – Action Log**

	Audit & Standards Advisory Committee	Meeting Date: 1 August 2022
Agenda Item No	Item	Actions
5.	Matters Arising – Financial Dashboard presentation	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>
6	Standards Report (incl Gifts & Hospitality)	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. This annotation would be circulated to Members of the Committee. <i>(Biancia Robinson/Debra Norman)</i>
9	Internal Audit 2021-22 Annual Report – Addendum Report	Agreed to share the EQA survey with Members who previously served on the Committee <i>(David Ewart/Darren Armstrong)</i>
	Audit & Standards Advisory Committee	Meeting Date: 29 September 2022
5.	Matters Arising – Financial Inclusion Dashboard presentation	Copy of Cost of Living report provided for Resources & Public Realm Scrutiny Committee to be provided for members of ASAC with members to contact Vice-Chair re any potential further joint work with scrutiny.
8.1	i4B Holdings Performance Update	To maintain review of i4B Risk Register in relation to impact of wider economic context on viability of company acquisition strategy.
9.	Emergency Preparedness Update	Members encouraged to attend Emergency Planning Member


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

Agenda Item No	Item	Decision & Actions Arising
		Learning & Development session on 10 October 22 for which further details to be provided.
10, 11 & 12.	Statement of Accounts & Audit Findings	<p>Update to be provided on delay to account sign off as a result of national issue regarding the representation of infrastructure assets in LA accounts, which required CIPFA revisions to the code of practice. <i>(Minesh Patel/Rav Jassar)</i></p> <p>Approval delegated to sign of Draft Letter of Representation to Corporate Director Finance & Resources, with copy to be made available to Chair, Vice-Chair and Independent Advisor. <i>(Minesh Patel/Rav Jassar)</i></p> <p>Approval of Statement of Accounts to be delegated to Chair ASC subject to agreement of necessary final adjustments and final audit opinion. <i>(Minesh Patel/Rav Jassar)</i></p> <p>Update on VFM work to be provided as part of the External Auditors Report at December's Audit and Standards Advisory Committee.</p>
13.	Planning Code of Practice Review	Formal approval of changes to Code of Practice and Council Constitution to be referred to November Full Council meeting. <i>(Biancia Robinson)</i>
	Audit & Standards Advisory Committee	Meeting Date: 7 December 2022
5.	Matters Arising	The Committee requested an update at a future meeting on the

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

Agenda Item No	Item	Decision & Actions Arising
		Financial Dashboard Presentation.
7.	Treasury Management Mid-Year Report	<p>The Committee requested that comparable benchmarking data of Brent's investment portfolio specifically against other London authorities was reported back to the Committee at a future meeting.</p> <p>The Committee requested further details on the criteria for use of borrowing from the UK Investment Bank.</p>
11.	Forward Plan	To include a (as recommended by CIPFA) the opportunity to the Committee to undertake a self-assessment on a future agenda.

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	Audit and Standards Advisory Committee 7 th February 2023
	Report from the Corporate Director Finance and Resources
Review of the outcomes of the Internal Audit External Quality Assessment	

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:	One Appendix 1 – External Quality Assessment Report
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Darren Armstrong, Head of Audit and Investigations Darren.Armstrong@Brent.gov.uk 020 8937 1751

1. Purpose of Report

- 1.1 This report presents the outcomes of the Internal Audit External Quality Assessment, undertaken in Quarter 3 2022-23.

2. Recommendations

- 2.1 The Committee is asked to note the report.

3. Background

- 3.1 The Council has a statutory duty to maintain an adequate and effective Internal Audit function. Internal Audit's primary objective is to provide the Council, via the Audit and Standards Advisory Committee, with independent assurance that risk management, governance and internal control processes are operating effectively.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) require an external quality assessment (EQA) be undertaken at least every five years, although more frequent assessments may take place. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or

outsourced. The assessor is required to conclude on whether the Internal Audit service complies with the PSIAS.

- 3.3 Standard 1312 states: *External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.*
- 3.4 Across London, the London Audit Group has organised a system of independent externally validated self-assessments. It has been agreed that self-assessments against the standards, and where appropriate the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note (LGAN), will be completed and that these will be externally validated by suitably qualified individuals or teams from other members of the London Audit Group.
- 3.5 The review of Internal Audit's performance at the London Borough of Brent was led by Caroline Glitre, the Head of Internal Audit for the London Borough of Barnet. Caroline is appropriately qualified, independent and has no actual or perceived conflicts of interest. The terms of reference for this assessment were discussed and agreed with the Committee in August 2022.
- 3.6 The objective of the External Quality Assessment is to provide the Council with an independent opinion about internal audit's conformance with the Standards, Code of Ethics and where appropriate CIPFA's Local Government Application Note. In keeping with guidance issued by the Chartered Institute of Internal Auditors and CIPFA, one of three overall opinions is offered:

Generally Conforms	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, comply with the requirements in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and practice statements within the section or sub-sections. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the Audit Committee.

4. Outcomes of the External Quality Assessment

4.1 The External Quality Assessment Report can be seen at **Appendix 1**.

4.2 The assessment found that the Internal Audit Service **Generally Conforms** with the PSIAS. This is the highest available level of assessment for local authorities. Furthermore, the summary assessment of the compliance against the PSIAS (at pages 9 to 22 of the EQA report at Appendix 1), demonstrates that the Internal Audit service conforms with each standard.

4.3 A total of 10 good practice recommendations, which do not impact on conformance with the PSIAS, have been raised by the assessors and are summarised in pages 5-7 of the EQA report. An Action Plan can also be seen at Appendix C of the report. Management responses, including responsible officers and target dates, have been provided for each of the recommended actions. Progress updates in respect of the implementation of these actions will be reported to the Committee periodically.

4.4 We are pleased to report that five areas of notable practice were highlighted, where the activity of the Internal Audit Service reflected current best practice. The notable practices identified were:

- The independence of the Head of Internal Audit (HIA) role is strengthened by the rotation of line management arrangements.
- The Audit and Standards Advisory Committee have appointed an Independent Adviser who provides additional challenge based on a wide-range of relevant experience across different sectors.
- The Chief Executive regularly attends the Audit and Standards Advisory Committee.
- The review of evidence supporting this year's self-assessment has confirmed that all improvement areas noted in the 2018 EQA have all been implemented and continue to be in place.
- The HIA attends Directorate Management Teams (DMTs) on a quarterly basis which has improved engagement, the understanding of risks and the Internal Audit team's understanding of activity in each Directorate.

4.5 Overall, the assessors commented that Internal Audit is a well led, professional and respected service that adds value and provides evidence based, reliable assurance over the Council's governance, risk management and internal controls.

5.0 Financial Implications

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

6.0 Legal Implications

- 6.1 All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and Accounts and Audit Regulations 2011 (as amended). Completion of the external review of the effectiveness of internal audit ensures compliance with the PSIAS and provides assurance in respect of the effectiveness of the Internal Audit service.

7.0 Equality Implications

- 7.1 None

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

- 8.1 None

9.0 Proposed Consultation with Ward Members and Stakeholders

- 9.1 None

Report sign off:

Minesh Patel

Corporate Director Finance and Resources

London Borough of Brent

Internal Audit Performance External Quality Assessment

Date: 13th January 2023

Report Authors:
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Introduction

The Public Sector Internal Audit Standards (PSIAS) require an external quality assessment be undertaken at least every five years. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced.

Standard 1312 states:

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

Across London, the London Audit Group has organised a system of independent externally validated self-assessments. It was agreed that self-assessments against the standards, and where appropriate the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note (LGAN) will be completed, and that these will be externally validated by suitably qualified individuals or teams from other members of the London Audit Group.

This review of internal audit's performance at the London Borough of Brent has been led by Caroline Glitre who is the Head of Internal Audit for the London Borough of Barnet and is appropriately qualified, independent and has no actual or perceived conflicts of interest. The terms of reference for this assessment were discussed and agreed at the Council's Audit and Standards Advisory Committee on 1st August 2022.

Conclusion

Overall, the internal audit service at the London Borough of Brent is a well led, professional and respected service that adds value and provides evidence based, reliable assurance over the Council's governance, risk management and internal controls.

Based on the self-assessment, supporting evidence and independent validation it is the view of the lead assessor that the internal audit service for the London Borough of Brent **generally conforms with the Public Sector Internal Audit Standards**. Definitions of all the ratings are detailed in Appendix A.

Generally Conforms

The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, comply with the requirements in all material respects.

Stakeholder Survey

During this assessment a survey of key stakeholders was undertaken. 25 survey responses were received. In summary the survey results were positive and have revealed the following:

- The service is delivered with professionalism and integrity.
- Issues/concerns are raised at the right level.
- Internal Audit has the necessary resources.
- Internal Audit is adept at communicating its work.
- The service has a positive impact on governance, risk management and control.
- Internal Audit asks challenging and incisive questions.
- The service appropriately promotes ethics and values.

Of a total of 475 responses to questions (25 responses to 19 questions), there were:

Fully agree	170	36%
Generally agree	195	41%
Partially agree	106	22%
Do not agree	4	1%
Total	475	100%

The four 'Do not agree' responses related to the following themes / questions:

Impact on Organisational Delivery

- The internal audit service responds quickly to changes within the organisation (x2)
- There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service (x1)

Impact on Governance, Risk and Control

- Internal audit advice is insightful, proactive and future-focused (x1)

The highest scoring theme was Standing and Reputation of Internal Audit (80% either Fully or Generally agree).

	Fully agree	Generally agree	Partially agree	Do not agree
Standing and reputation of Internal Audit	51%	29%	20%	0%
Impact on Organisational Delivery	26%	48%	24%	2%
Impact on Governance, Risk and Control	33%	44%	23%	0%

The full results of the survey are shown at Appendix B.

In addition to the survey, we interviewed a series of key stakeholders:

- Chief Executive
- Corporate Director Governance
- Corporate Director Finance and Resources (S151)
- Corporate Director Resident Services
- Corporate Director Adult Social Care and Health
- Independent Chair to the Audit and Standards Advisory Committee
- Vice Chair to the Audit and Standards Advisory Committee
- Independent Adviser to the Audit and Standards Advisory Committee

The feedback from the stakeholders was very positive. Internal Audit was described as follows:

- A valuable critical friend.
- A well respected, flexible service that is more regularly being asked to support in an advisory capacity.
- Services generally feel supported not policed.
- High challenge, high support model.
- The link to risks has recently been much enhanced.
- Quarterly attendance at Directorate SMTs is valued.

In terms of areas for improvement, the survey and interviews indicate that internal audit could:

- 'Blow their own trumpets' more i.e. their reports could have a mechanism to feedback their valuable insights across the Council.
- Explain better to new auditees what is involved in an audit e.g. why being audited, how much time it will consume and what the expectations of the team are.

Areas of Good Practice

The assessment has identified some areas of notable good practice, for example:

- The independence of the Head of Internal Audit (HIA) role is strengthened by the rotation of line management arrangements; the HIA previously reported to the Council's Monitoring Officer (Director of Legal, Human Resources, Audit and Investigations) up to 31 August 2022. Following a Council-wide reorganisation, since 1 September 2022 the HIA reports into the Corporate Director for Finance and Resources.

- The Audit and Standards Advisory Committee have appointed an Independent Adviser who provides additional challenge based on a wide-range of relevant experience across different sectors.
- The Chief Executive regularly attends the Audit and Standards Advisory Committee and stated that she finds this helpful.
- The review of evidence supporting this year's self-assessment has confirmed that all improvement areas noted in the 2018 EQA have all been implemented and continue to be in place.
- The HIA attends Directorate Management Teams (DMTs) on a quarterly basis which has improved engagement, the understanding of risks and the Internal Audit team's understanding of activity in each Directorate.
- The Audit Plan is in a simple format and is clearly linked to the Council's strategic risks.

Areas for Improvement

The assessment has identified some areas for improvement which includes the following:

- 1000 and 1112 - The Council's Risk Management Policy Statement and Strategy (June 2017) should be reviewed and updated.
- As part of this review, consideration could be given to setting up an informal risk forum involving Internal Audit, Business Continuity, Emergency Planning, Health & Safety etc, bringing information and intelligence together before the next round of risk register reviews.
- 1000 - The Charter should be updated to reflect the rotation of the line management of the HIA, to preserve this additional safeguard to independence in the future.
- 1220 – The Audit Manual states that a Terms of Reference (ToR) will be agreed for any Consultancy arrangements. This is not always the case in practice; if it is not always practicable or proportionate then the Audit Manual should be updated to reflect this and to make it clearer which types of advisory reviews are likely to require a ToR and separate reporting. If a consultancy review will use a significant number of audit days, resulting in a planned audit being deferred to the following year, the ToR for the consultancy engagement should be shared with the Chair of the Audit and Standards Advisory Committee. The reporting of outcomes of Consultancy work to the Audit and Standards Committee could be improved e.g. whether a ToR was agreed; how many days were spent on the work; what proportion of audit days was in fact spent on consultancy work during the year.
- 1300 and 1320 - Quality and Improvement Programme outcomes need to be explicitly included in the Annual Report. For example, it doesn't

state the areas of improvement that were identified by the self-assessment. To note that these were fairly minor; but there was no statement to make it clear that there are no issues to bring to the attention of the Committee.

- 1311 – Feedback surveys should state which audit the feedback relates to. This would enable easier linkages to individual auditor performance reviews.
- 1311 – Consider RAG rating the KPI performance for Internal Audit activity. There are targets but it's not clear whether missing that target is considered a failure. What level of performance is acceptable?
- 2010 and 2050 – As identified in the self-assessment and resultant action plan and the service's 3 year strategy, there is no Assurance map that documents the three lines of defence across service areas. This is something to consider developing, although for it not to become obsolete quickly it would need to be a simple document that is relatively high level.
- 2120 - Once the new Risk Management Policy is in place, Internal Audit should consider reviewing compliance with the policy to be able to clearly provide independent validation of the overall corporate risk management arrangements.

Outcome of the file reviews

A sample of audit files were reviewed in detail to provide assurance that the requirements of the PSIAS are being met. The following files were reviewed:

- Planning 2020/21
- Homecare 2021/22
- First Wave Housing Ltd (FWH) and i4B Holdings - Health & Safety 2022/23
- Byron Court School 2022/23

The file reviews showed that whilst the manual is broadly complied with, the retention of evidence and file structures make it difficult to gain assurance that all elements of the process as defined in the manual have been followed.

- 2200 – When planning an engagement, notes of discussions were not always retained on file, other than the draft iterations of the Terms of Reference. It was therefore not always possible to see what had been considered but ultimately excluded from the scope of the review.
- 2240 - In some cases, not all documentation was readily available due to having been held within emails from team members who are no longer at Brent. To improve this, we would recommend:
 - 2330 - The introduction of a checklist for each audit that acts as a virtual 'cover sheet'. This would document the steps in the review and

ensure that each can be clearly signed off to ensure all tasks have been completed and appropriate evidence saved centrally.

- 2340 and 2410 - A set file format which all assignments must conform to. This should contain the necessary iterations of draft reports and all relevant key correspondence to ensure an audit trail is in place, including evidence of supervision and discussion with management.

Although not a requirement of the PSIAS, the service may also wish to consider:

- Mandating officer attendance at Audit and Standards Advisory Committee for critical audit findings (not just if follow-up confirms that actions have not been implemented).
- Reporting 'slippage' against audit actions which makes it clearer when previously agreed dates have been missed on multiple occasions.
- Updating the Audit Manual to reflect the Schools Audit Programme template.

A summary of the outcomes of this assessment follows. An action plan has been developed with the Head of Internal Audit and Investigations to address these areas and is included as Appendix C. Progress/completion of this action plan should be reported to senior management and the Audit and Standards Committee.

Summary Assessment

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
1	Mission of Internal Audit			
	Does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?	✓		
2	Definition of Internal Auditing			
	Is the internal audit activity independent and objective?	✓		
	Does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓		
3	Core Principles			
	Does the internal audit activity conform with the PSIAS by demonstrating integrity?	✓		
	Does the internal audit activity conform with the PSIAS by demonstrating competence and due professional care?	✓		
	Does the internal audit activity fully conform with the PSIAS by being objective and free from undue influence (independent)?	✓		
	Does the internal audit activity fully conform with the PSIAS by being aligned with the strategies, objectives, and risks of the organisation?	✓		
	Is the internal audit activity appropriately positioned and adequately resourced?	✓		
	Does the internal audit activity demonstrate quality and continuous improvement?	✓		
	Does the internal audit activity communicate effectively?	✓		
	Does the internal audit activity provide risk-based assurance, based on adequate risk assessment?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
	Is the internal audit activity insightful, proactive, and future-focused?	✓		
	Does the internal audit activity promote organisational improvement?	✓		
4	Code of Ethics			
	Do internal auditors display integrity?	✓		
	Do internal auditors display objectivity?	✓		
	Do internal auditors display due respect and care by maintaining confidentiality?	✓		
	Do internal auditors display competency?	✓		
	Do internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	✓		
5	Attribute Standards			
1000	Purpose, Authority and Responsibility			
	Does the internal audit charter conform with the PSIAS by including a formal definition of the purpose, authority and responsibility of the internal audit activity?	✓		
	Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?	✓		
	Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?	✓		
1100	Independence and Objectivity			
	Does the CAE have direct and unrestricted access to senior management and the board?	✓		
	Are threats to objectivity identified and managed.	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
1110	Organisational Independence			
	Does the CAE report to an organisational level equal or higher to the corporate management team? Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓		
	Does the CAE's position in the management structure: Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	✓		
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?	✓		
	Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?	✓		
1111	Direct Interaction with the Board			
	Does the CAE communicate and interact directly with the board?	✓		
1112	Chief Audit Executive Roles Beyond Internal Auditing			
	Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity? Does the board periodically review these safeguards?	✓		
1120	Individual Objectivity			
	Do internal auditors have an impartial, unbiased attitude?	✓		
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓		
1130	Impairment to Independence or Objectivity			
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
	Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?	✓		
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	✓		
	Is the risk of over-familiarity or complacency managed effectively?	✓		
	Have internal auditors declared interests in accordance with organisational requirements?	✓		
	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties has this been declared and investigated fully?	✓		
	Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?	✓		
	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	✓		
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	✓		
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	✓		
1200	Proficiency and Due Professional Care			
1210	Proficiency			
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent? Is the CAE suitably experienced?	✓		
	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓		
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓		
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓		
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	✓		
1220	Due Professional Care			
	Do internal auditors exercise due professional care?	✓		
	Do internal auditors exercise due professional care during a consulting engagement?	✓		
1230	Continuing Professional Development			
	Has the CAE defined the skills and competencies for each level of auditor? Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓		
	Do internal auditors undertake a programme of continuing professional development?	✓		
1300	Quality Assurance and Improvement Programme			
	Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	✓		
1310	Requirements of the Quality Assurance and Improvement Programme			
	Does the QAIP include both internal and external assessments?	✓		
1311	Internal Assessments			
	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
	Do internal assessments include ongoing monitoring of the internal audit activity?	✓		
	Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?	✓		
	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?	✓		
	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓		
1312	External Assessments			
	Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?	✓		
	Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?	✓		
	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	✓		
1320	Reporting on the Quality Assurance and Improvement Programme			
	Has the CAE reported the results of the QAIP to senior management and the board?	✓		
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	✓		
1321	Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'			
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	✓		
1322	Disclosure of Non-conformance			
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
	If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	✓		
6	Performance Standards			
2000	Managing the Internal Audit Activity			
2010	Planning			
	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	✓		
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓		
	Does the risk-based plan set out the: Audit work to be carried out?	✓		
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	✓		
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	✓		
	In developing the risk-based plan, has the CAE also given sufficient consideration to: Any declarations of interest (for the avoidance for conflicts of interest)? The requirement to use specialists, eg IT or contract and procurement auditors? Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	✓		
	In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?	✓		
	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	✓		
2020	Communication and Approval			

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval? Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	✓		
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	✓		
2030	Resource Management			
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	✓		
	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?	✓		
	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?	✓		
2040	Policies and Procedures			
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	✓		
2050	Coordination			
	Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	✓		
2060	Reporting to Senior Management and the Board			
	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	✓		
2070	External Service Provider and Organisational Responsibility for Internal Auditing			
	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
2100	Nature of work			
2110	Governance			
	Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes?	✓		
	Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities?	✓		
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	✓		
2120	Risk Management			
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes?	✓		
	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems?	✓		
	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	✓		
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	✓		
	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	✓		
2130	Control			
	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems	✓		
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
2200	Engagement Planning			
	Do internal auditors develop and document a plan for each engagement?	✓		
	Do internal auditors consider the following in planning an engagement, and is this documented: objectives, controls, risks, resources, operations, risk mitigation, adequacy, effectiveness, improvements?	✓		
	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party?	✓		
	For consulting engagements, have internal auditors established an understanding with the engagement clients	✓		
2210	Engagement Objectives			
	Have objectives been agreed for each engagement?	✓		
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?	✓		
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓		
	Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?	✓		
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	✓		
	For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?	✓		
2220	Engagement Scope			
	Are established scopes sufficient to satisfy the objectives of the engagement?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
	Does the scope of the engagement include consideration of relevant systems, records, personnel and physical properties, including those under the control of third parties?	✓		
	If significant consulting opportunities arise during an assurance engagement, is a specific written understanding as to the objectives, scope, respective responsibilities and other expectations reached and the results of the consulting engagement communicated in accordance with consulting standards?	✓		
	In performing consulting engagements, do internal auditors ensure that the scope of the engagement is sufficient to address the agreed-upon objectives?	✓		
	If internal auditors develop reservations about the scope during consulting engagements, are these reservations discussed with the client to determine whether to continue with the engagement?	✓		
	During consulting engagements, do internal auditors address controls consistent with the engagement's objectives and are they alert to significant control issues?	✓		
2230	Engagement Resource Allocation			
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement	✓		
2240	Engagement Work Programme			
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	✓		
2310	Identifying Information			
	Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?	✓		
2320	Analysis and Evaluation			
	Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?	✓		
	Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented: Intentional wrongdoing? Errors and omissions? Poor value for money? Failure to comply with management policy? Conflicts of interest?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
2330	Documenting Information			
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓		
	Does the CAE control access to engagement records?	✓		
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?			
2340	Engagement Supervision			
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	✓		
2400	Communicating Results			
2410	Criteria for Communicating			
	Do the communications of engagement results include the following: The engagement's objectives? The scope of the engagement? Applicable conclusions? Recommendations and action plans, if appropriate?	✓		
	Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	✓		
	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓		
	Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?	✓		
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	✓		
	Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?	✓		
2420	Quality of Communications			
	Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?	✓		
2421	Errors and Omissions			
	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	✓		
2430	Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'			
	Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	✓		
2431	Engagement Disclosure of Non-conformance			
	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? The reason(s) for non-conformance? The impact of non-conformance on the engagement and the engagement results?	✓		
2440	Disseminating Results			
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓		
	Has the CAE communicated engagement results to all appropriate parties?	✓		

Ref	Statement	Generally Conforms	Partially Conforms	Does not Conform
	Before releasing engagement results to parties outside the organisation, did the CAE: Assess the potential risk to the organisation? Consult with senior management and/or legal counsel as appropriate? Control dissemination by restricting the use of the results?	✓		
	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓		
2450	Overall Opinion			
	Has the CAE delivered an annual internal audit opinion?	✓		
	Does the communication identify the following: The scope of the opinion, including the time period to which the opinion relates? Any scope limitations? The consideration of all related projects including the reliance on other assurance providers? The risk or control framework or other criteria used as a basis for the overall opinion?	✓		
	Does the annual report incorporate the following: annual opinion, summary of work, qualifications, impairments, comparisons, conformance with PSIAS, results of the QAIP, progress against improvement plans, summary of performance?	✓		
2500	Monitoring Progress			
	Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?	✓		
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓		
2600	Communicating the Acceptance of Risks			
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	✓		

Appendix A – Definitions

Generally Conforms	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, comply with the requirements in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and practice statements within the section or sub-sections. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the Audit Committee.

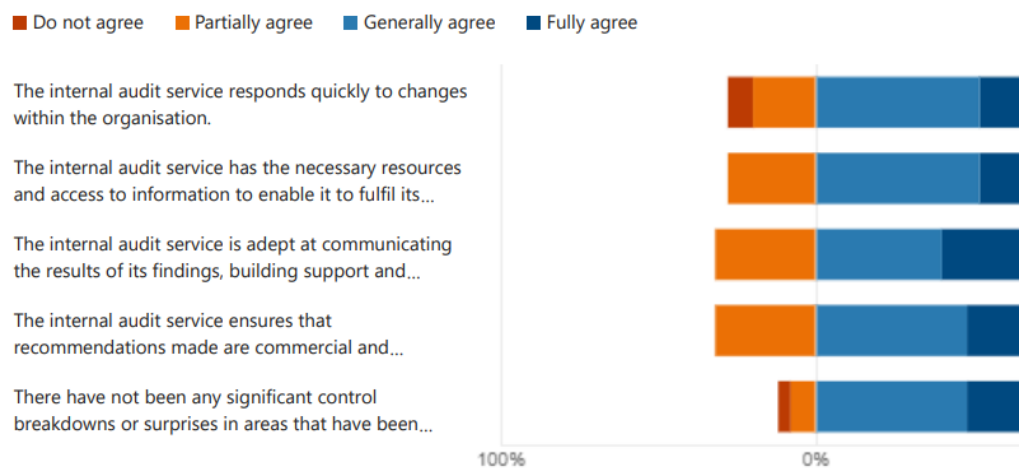
Appendix B – Survey Results

There were 25 responses to this survey.

1. Standing and Reputation of Internal Audit



2. Impact on Organisational Delivery



3. Impact on Governance, Risk and Control



Further comments

I think the service has been improving recently but there is still more which could be done to ensure all parts of the organisation understand and are working with it effectively and to ensure that the service understands and is able to add value to all areas of work.

These are difficult times in terms of priority setting against resources and the self-service culture for finance, HR and IT. A difficult agenda in difficult times for this key function.

I have mostly answered 'partially agree' as there is no option for 'Do not know' or 'unsure'. I have only been involved in one audit, recently, therefore my knowledge and understanding of the internal audit service before this time was minimal. Equally, my involvement in the audit was mostly via the external auditors, I had very little interaction with the internal team, who were only present on the initial scoping call. As such, my main observation, as someone who was asked to be involved in my first audit, was that I had very little understanding of what would be involved, how much time it would consume and what the expectations of the team were.

The internal Audit team are good and engaging, they have run a good service in the main and I'm generally happy, they've had the odd instance where provided updates have not been updated and added to formal feedback and sometimes the regular checkins before a report is produced hasn't happened, this was few and far between, we have addressed this and I don't foresee any issues going forward, I think this happened as they were going through changes in IA which I can understand. I'm fully supportive of Darren and the IA team.

The Head of Service is highly valued. Some auditors can approach things in too a purist fashion and antagonise managers unnecessarily.

Internal audit function is incredibly valuable and insightful for the committee and the work they undertake as a form of control is essential to the council's services and operational delivery programme.

Cuts to the service have reduced the number of audits and timescale for completion.

The key issue is insufficient visibility of Internal Audit's work at Audit Committee and reporting on following up recommendations.

Our internal audit colleagues as well as assurance provide good support and advice around mitigating emerging risks.

Appendix C – Action Plan

PSIAS ref	Area for Improvement	Planned actions	Responsible Officer & Target Date
1000 and 1112	<p>The Council's Risk Management Policy Statement and Strategy (June 2017) should be reviewed and updated.</p> <p>As part of this review, consideration could be given to setting up an informal risk forum involving Internal Audit, Business Continuity, Emergency Planning, Health & Safety etc, bringing information and intelligence together before the next round of risk register reviews.</p>	<p>a) The Council's Risk Management Policy Statement and Strategy will be reviewed and updated.</p> <p>b) We will consider the benefits in setting up an informal risk forum as part of our forward plan to further enhance the Council's risk management framework.</p>	<p>a) Darren Armstrong, Head of Audit and Investigations September 2023</p> <p>b) Darren Armstrong, Head of Audit and Investigations December 2023</p>
1000	The Charter should be updated to reflect the rotation of the line management of the HIA, to preserve this additional safeguard to independence in the future.	a) The Charter will be updated to confirm the safeguards in place to preserve the independence of the IA function.	a) Darren Armstrong, Head of Audit and Investigations April 2023.
1220	The Audit Manual states that a Terms of Reference (ToR) will be agreed for any Consultancy arrangements. This is not always the case in practice; if it is not always practicable or proportionate then the Audit Manual should be updated to reflect this and to make it clearer which types of advisory reviews are likely to require a ToR and separate reporting.	a) The Audit Manual will be updated to confirm the circumstances and protocols for consultancy engagements, including those where a Terms of Reference is required.	a) Colin Garland Internal Audit Manager April 2023

PSIAS ref	Area for Improvement	Planned actions	Responsible Officer & Target Date
	<p>If a consultancy review will use a significant number of audit days, resulting in a planned audit being deferred to the following year, the ToR for the consultancy engagement should be shared with the Chair of the Audit and Standards Advisory Committee.</p> <p>The reporting of outcomes of Consultancy work to the Audit and Standards Committee could be improved e.g. whether a ToR was agreed; how many days were spent on the work; what proportion of audit days was in fact spent on consultancy work during the year.</p>	<p>b) Details of significant consultancy reviews will be shared with the Audit and Standards Advisory Committee, as appropriate. 'Significant' will be defined in the Audit Manual and also agreed with the Committee.</p> <p>c) Outcomes of Consultancy reviews are already reported to the Committee; however, these will be reported/highlighted more clearly within update reports presented to the Committee.</p>	<p>b) Darren Armstrong, Head of Audit and Investigations April 2023.</p> <p>c) Darren Armstrong, Head of Audit and Investigations April 2023.</p>
1300 and 1320	Quality and Improvement Programme outcomes need to be explicitly included in the Annual Report. For example, it doesn't state the areas of improvement that were identified by the self-assessment. To note that these were fairly minor; but there was no statement to make it clear that there are no issues to bring to the attention of the Committee.	a) Where relevant, an action plan will be included within the Annual Report, detailing any actions identified by the annual self-assessment.	a) Darren Armstrong, Head of Audit and Investigations June 2023.
1311	Feedback surveys should state which audit the feedback relates to. This would enable easier linkages to individual auditor performance reviews.	a) Feedback surveys will be amended as per the recommendation.	a) Colin Garland Internal Audit Manager April 2023


PSIAS ref	Area for Improvement	Planned actions	Responsible Officer & Target Date
1311	Consider RAG rating the KPI performance for Internal Audit activity. There are targets but it's not clear whether missing that target is considered a failure. What level of performance is acceptable?	a) The KPI's include targets which we feel are appropriate and SMART. Our aim is to always achieve the target KPI score, and we are cautious of introducing RAG ratings which may undermine the importance of achieving the target scores. We will trial RAG ratings within the 2022-23 Annual Report and consider future application in conjunction with the Audit and Standards Advisory Committee.	a) Darren Armstrong, Head of Audit and Investigations June 2023.
2010 and 2050	As identified in the self-assessment and resultant action plan and the service's 3 year strategy, there is no Assurance map that documents the three lines of defence across service areas. This is something to consider developing, although for it not to become obsolete quickly it would need to be a simple document that is relatively high level.	a) We had previously identified the need to develop an assurance map, using the three lines model, across all service areas. However, priority was given to developing a mini-assurance map to the Council's Strategic Risk Register, which has	a) Darren Armstrong, Head of Audit and Investigations June 2023.

PSIAS ref	Area for Improvement	Planned actions	Responsible Officer & Target Date
		<p>since also been rolled out across all DMT risk registers. These have been critical to aligning and prioritising the work of Internal Audit – ensuring the service focusses on the highest risk areas that the Council faces. Whilst there are some benefits to a ‘three lines’ assurance map, there are also a number of challenges involved with this, including resources needed to keep this a ‘live’ document. Moving forward, we will look to further enhance the assurance maps already in use.</p>	
2120	<p>Once the new Risk Management Policy is in place, Internal Audit should consider reviewing compliance with the policy to be able to clearly provide independent validation of the overall corporate risk management arrangements.</p>	<p>a) We will look to commission an independent ‘risk maturity’ assessment once the new Risk Management Policy is in place.</p>	<p>a) Darren Armstrong, Head of Audit and Investigations December 2023.</p>

PSIAS ref	Area for Improvement	Planned actions	Responsible Officer & Target Date
2200	When planning an engagement, notes of discussions were not always retained on file, other than the draft iterations of the Terms of Reference. It was therefore not always possible to see what had been considered but ultimately excluded from the scope of the review.	a) We undertake an extensive planning exercise for all engagements, which includes (but not limited to) external research, review of risk registers and previous audit files, consultation with peers/colleagues from other Councils, discussions with services and senior management, and internal discussions with the auditor, Audit Manager and Head of Audit. It would not be prudent to explicitly record everything that has been considered, but ultimately excluded from the scope; however, we will better prepare and organise our audit files to demonstrate how the scope of each engagement has been reached.	a) Colin Garland Internal Audit Manager April 2023
2240	In some cases, not all documentation was readily available due to having been held within emails from team members who are no longer at Brent. To improve this, we would recommend:	a) A checklist/cover sheet will be introduced for all audit files. b) A set file format is already in place for all audit reviews. The introduction of the checklist, as	Colin Garland Internal Audit Manager April 2023

PSIAS ref	Area for Improvement	Planned actions	Responsible Officer & Target Date
2330	The introduction of a checklist for each audit that acts as a virtual 'cover sheet'. This would document the steps in the review and ensure that each can be clearly signed off to ensure all tasks have been completed and appropriate evidence saved centrally.	above, will ensure this is followed for all engagements.	
2340 and 2410	A set file format which all assignments must conform to. This should contain the necessary iterations of draft reports and all relevant key correspondence to ensure an audit trail is in place, including evidence of supervision and discussion with management.		

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 Brent	Audit and Standards Advisory Committee 7 th February 2023
	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:	One Appendix A: Gifts & Hospitality Register
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	(1) Debra Norman, Corporate Director, Governance 020 8937 1578 Debra.Norman@brent.gov.uk (2) Bianca Robinson, Senior Constitutional & Governance Lawyer 020 8937 1544 Bianca.Robinson@brent.gov.uk

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, the attendance record for Members in relation to mandatory training sessions. As part of keeping committee members up to date with matter relevant to their responsibility for standards matters a summary of a recent Local Government & Social Care Ombudsman (LGSCO) case on standards is also included.

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 third quarter of 2022/23 (Oct – Dec 2022), there have been nine 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.
- 3.6 The following relates to the number of Members who have not attended the mandatory training sessions.

Mandatory all Member sessions:

- 2 Members: Cllr Daniel Kennelly and Cllr Jayanti Patel need to attend the Equalities training.
 - 2 Members: Cllr Rita Connelly and Cllr Sonia Shah need to attend the Safeguarding Vulnerable Adults Training.
- 3.7 The Committee will note a new Equality and Diversity officer is now in post. He has arranged for a repeat Equality session to take place on Monday 30.01.23. In fairness, Cllr Kennelly did attempt to join the repeat Equality training session on the 18 November, unfortunately due to poor network quality he was unable to complete the session and consequently is required to complete it on the 30.01.23. A repeat Safeguarding Vulnerable Adults training session has been set for Wednesday, 01.02.23. Both Cllr Rita Connelly and Cllr Sonia Shah have been invited.
- 3.8 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.

3.9 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

LGSCO & Teignbridge District Council (21 004 645) - The Councillor's Complaint

3.10 Councillor Daws complained that the Council was at fault as it failed to follow due process when investigating him for alleged breaches of its code of conduct for elected councillors. In particular he complained the Council:

- initiated an investigation without receiving any complaint about his conduct which is contrary to the law and its own policy;
- misled him into believing such a complaint had been made;
- did not disclose details of any such complaint as might have been made; and
- did not carry out due diligence of an independent investigator appointed to investigate the complaint.

As a consequence of the above:

- he was unfairly sanctioned with damage to his personal and professional reputation.
- his right to freedom of expression had been breached; and
- he spent unnecessary time and trouble in responding to the investigation and then seeking redress.

Points of interest

3.11 LGSCO decisions do not normally mention the name of any person or include details likely to identify them. They can use someone's name if it is in the public or complainant's interest to do so. In this case they named the complainant because they considered it is in his interest, and he has asked them to do so.

3.12 Their remit does not extend to making decisions on whether a body in jurisdiction has breached the Human Rights Act – this can only be done by the courts. However, they can make decisions about whether a body in jurisdiction has had due regard to an individual's human rights in their treatment of them, as part of our consideration of a complaint.

3.13 They can investigate complaints from locally elected councillors where they allege they have suffered a personal injustice because of actions taken by a body in their jurisdiction. The rationale being, when a councillor makes a complaint of this type, they are not doing so on behalf of the council or another public body, but in their own personal capacity. Further, they are not an employee, governed by a personnel relationship with a council.

3.14 The LGSCO is not an appeal body. This means they do not take a second look at a decision to decide if it was wrong. Instead, their remit is confined to looking at the procedure an organisation followed to make its decision.

3.15 We have compared the findings in respect of process with our own written procedures and our confident these do suffer from the deficiencies found in this case.

The facts

- 3.16 On 1 November 2019 Councillor Daws and Councillor X received an email from the Council's Monitoring Officer. It said: "significant concerns have been raised with me by officers and / or members about your conduct towards them particularly in recent weeks. The conduct appears on the face of it to establish a case for investigation into whether the standards of conduct required of councillors, as set out in the Members' Code of Conduct, have been breached. No formal written complaint has been received by the Monitoring Officer although this was not made clear to the councillors.
- 3.17 The Monitoring Officer then suggested meeting with both councillors to "discuss the above, including the investigations process and how, if it all, it may be possible for you to reasonably resolve at least some of the above concerns". Both Councillors rejected the invitation of a meeting with the Council's Monitoring Officer.
- 3.18 On the same date, 1 November, the Council's Monitoring Officer sent an email to an external consultancy firm whose services include carrying out investigations into alleged breaches of local authority code of conduct schemes. In that email the officer said the Council had not received any formal complaint about either Councillor, but said she had received concerns from Councillors Mr and Mrs Y
- 3.19 On 7 November the Monitoring Officer sent an email to one of the independent persons retained to sit on the Council's Standards Committee. They enclosed a copy of the email of 1 November to Councillor Daws and Councillor X. The covering email said the Council had "provisionally contacted" the consultancy about investigating and enclosed a copy of that email also. There is no record the Independent Person replied.

LGSCO findings

- 3.20 The LGSCO found a series of faults in the Council's processes that led Councillor Daws to become the subject of an investigation into whether he had breached the Council's Code of Conduct. They also found faults in how the investigation subsequently unfolded. The main faults were as follows:
- 1) the wording of the Localism Act 2011 is clear, it states to trigger any investigation of an alleged breach the Council must receive details of that allegation in writing. There was no written complaint about Councillor Daws having breached the Code on 1 November 2019.
 - 2) the Council's email of 1 November 2019 which notified Councillor Daws of a 'complaint' did not provide enough information about alleged breaches of the Code.
 - 3) the Council did not have full records of its consultation with the Independent Person. There was no complete record of that consultation – only what the Monitoring Officer sent to the Independent Person.
 - 4) the Council introduced new allegations into its investigation and at the time of his meeting with the Investigator, the scope of the investigation being conducted into Councillor Daws' actions was unclear.

- 5) the Investigator's report or the discussion of it that followed at committee did not address the implications of their findings in interfering with Councillor Daws' Article 10 rights.

The recommendations

3.21 The LGSCO recommended Teignbridge District Council has a written procedure for officers and any independent investigators asked to consider standards complaints that should include:

- having a record of complaints being made in writing;
- having a clear written record of consultation with an Independent Person to include their response;
- recording when the written complaint has been shared with the councillor complained of, or a clear written record as to the reasons why not;
- ensuring that where an investigation expands to consider further allegations arising during the investigation, it keeps a clear written record of and a record that this has been explained to the councillor complained about; and
- that in all appropriate cases it considers the rights of the councillor complained about to free expression under Article 10 of the Human Rights Act, as part of any investigation report and subsequent committee decision making.

3.22 The LGSCO's website notes that they have made a number of recommendations to improve the council's processes following the investigation, but the council has not yet agreed to accept these. Michael King, Local Government and Social Care Ombudsman, said:

"Local councillors have a key role in scrutinising their authorities' actions, and have an enhanced right of free speech to ask what might at times appear to be uncomfortable questions. Councils need to bear this in mind when deciding what constitutes a breach of their Code of Conduct."

"While both officers and members have a right to be treated with dignity and respect at work, and councils' desire to do more to protect them from poor treatment is to be encouraged, they still need to carry out investigations into councillor standards fairly and properly."

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:

Debra Norman


Corporate Director, Governance

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Appendix A: Gifts & Hospitality (3/4)

Councillor	Date of gift	Gift received	Value £	From
Promise Knight	11.10.2022	Build to Rent Forum Contributor Dinner	31.00	Movers and Shakers
M Butt	31/10/2022	SME Labour Business Awards.	35.00	Amazon Web Services
Shama Tatler	31/10/2022	SME Labour Business Awards.	35.00	Galliard Homes
Neil Nerva	02/11/2022	Dinner @ National Childrens and Adult Social Care Conference	50.00	Impower
Promise Knight	08/11/2022	London's affordable housing - Navigating the choppy water - Dinner and Labour members in London	50.00	Pocket Living - London Affordable Housing
Mili Patel	08/11/2022	London's affordable housing - Navigating the choppy water - Dinner and Labour members in London	50.00	Pocket Living - London Affordable Housing
Shama Tatler	08/11/2022	London's affordable housing - Navigating the choppy water - Dinner and Labour members in London	50.00	Pocket Living - London Affordable Housing
Shama Tatler	14/11/2022	"Let's House London" at House of Commons event	£35.00	Legal and General
Shama Tatler	29/11/2022	New London Architecture Annual Lunch 2022	£30.00	Kanda Consulting

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 Brent	Audit & Standards Advisory Committee 7 February 2023
	Report from the Director of Finance
Statement of Accounts 2021/22	

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:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel Director of Finance Email: Minesh.Patel@brent.gov.uk Tel: 020 8937 4043 Rav Jassar Deputy Director of Finance Email: Ravinder.Jassar@brent.gov.uk Tel: 020 8937 1487

1.0 Purpose of the Report

- 1.1 This report provides an update on the progress of the Statement of Accounts for 2021/22.

2.0 Recommendation(s)

- 2.1 That the Committee notes that the approval to sign the Statement of Accounts was delegated to the chair of the Audit and Standards Committee as per the minutes of the previous meeting.

3.0 Detail

- 3.1. In June and December 2022, the committee noted the issue on infrastructure assets, on 11th January 2023 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance on the temporary solution for accounting for infrastructure assets. Brent has since updated our Statement of Accounts to comply with the accounting requirement.
- 3.2. At the time of writing the audit of the infrastructure assets is close to completion. The rest of the audit fieldwork is also substantially complete, but there are a small number of issues that are still being worked on. The anticipated result of the audit is an unqualified audit opinion.
- 3.3. The Statement of Accounts 2021/22 will be ready for signed off at a later date under current delegations.

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
February 2023
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Contents



**Your key Grant Thornton
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Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

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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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

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 8 adjustments to the financial statements that have resulted in a £3.1m 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.

The following work remain outstanding :

- Closedown of hot review points on draft financial statements.
- Audit of Consolidated accounts
- 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 recently completed our VFM work and so are in a position to issue our Auditor's Annual Report, however we were not able to do so by 30 November 2022. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. The Annual Auditors Report is also being presented to the 7 February 2023 Audit and Standards Advisory Committee. 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 significant weaknesses from our work.

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 7 February 2023. 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 on management override of controls is complete. We have nothing to bring to the attention of those charged with governance and management.



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 for invoices relating to insurance policies with Zurich, the Council has recognised the full invoice amount of £1.6m which relate 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 £804k (half of the total insurance policy). This has been recorded on the unadjusted error schedule at appendix C.

We have completed our work on fraud in expenditure recognition. We have nothing else to bring to the attention of the Audit and Standards Committee apart from the issue reported above.

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.

We identified that there were differences in the land value (0.4 hectare) used in calculation for one asset, the incorrect obsolescence rate (19% instead of 43%) was recorded for one asset and there was a variance in the value of undeveloped land (0.17) for one asset. The errors resulted in an understatement of 309k factual error after indexation. The extrapolated error is £1.2m understatement. We have recorded this on the unadjusted error schedule on appendix C.

Our work on the valuation of Land and Buildings is complete. We have nothing else to bring to the attention of the Audit and Standards Committee apart from the points noted above.

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 valuation of pension fund net liability is complete. We have nothing 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 also identified that two assets under construction [Gloucester House and Durham Court] with NBV of £54.5m became operational as HRA properties in November 2021. There were revalued in the year as HRA properties at £40.9m. An adjustment factor of 25% has been applied to the NBV as they are social housing properties. This means that the HRA balance was understated by £13.6m and the Assets under construction was overstated by £54.5m in the draft accounts. The council has adjusted for this error. We have recorded this on the adjusted error schedule at Appendix C.

Our work on valuation of council dwellings has been completed. We have nothing else to report to the Audit and Standards Committee apart issue reported above.

2. Financial Statements - Other risks

Risks identified in our Audit Plan

Valuations of Infrastructure Assets

The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment.

We identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.

Commentary

The inherent risks which we identified in relation to infrastructure assets were:

- an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components
- a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UEs) in calculating depreciation charges.

We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UEs).

We have completed the following work focusing on the Council's current year's infrastructure assets:

- Reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets
- Evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UEs
- Evaluated the competence, capabilities and objectivity of any management expert relied upon
- Challenged the information and assumptions used to inform the estimate
- Considered whether there has been any replacement of assets that have not been fully depreciated and evaluated the subsequent derecognition of the replaced assets.

Based on our work, we are satisfied that the Council has:

- correctly applied the SI and the requirements in the CIPFA Code update
- appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements
- not identified any prior period adjustments requiring disclosure in the accounts.

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 its 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 in relation to this key estimate – Valuation of Land and Building is complete. We have nothing to the attention of the Audit and Standards Committee apart from the points noted above and on slide 9.</p>	Light Purple

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

Page 75

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></td></tr><tr><td>Pension increase rate</td><td>3.2%</td><td>3.15% to 3.30%</td><td></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></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></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></td></tr></table>		Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.7%	2.70% to 2.75%		Pension increase rate	3.2%	3.15% to 3.30%		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.		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		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	
		Assumption		Actuary Value	PwC range	Assessment																					
		Discount rate		2.7%	2.70% to 2.75%																						
		Pension increase rate		3.2%	3.15% to 3.30%																						
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		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																						

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>We have completed our work on Net Pension Liability. We have nothing to report to the Audit and Standards Committee.</p>	

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
Valuation of 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 Housing is complete. We have nothing to bring to the attention of the Audit and Standards Committee apart from the points noted above and on slide 12.</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 - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of Private Finance Initiative Assets- £176.3m	<p>The Council has entered into three PFI projects which have generated assets to be used by the Council. These are;</p> <p>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</p> <p>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</p> <p>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.</p> <p>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.</p> <p>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).</p>	<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 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. <p>Our work identified that Stonebridge PFI assets were revalued in 2016/17 at a net book value (NBV) of £84.0m. The revaluation was based on existing use value for housing held at affordable rent. A discount factor of 20% was applied to the market value as affordable rent is 80% of market rent. This is an error as the Stonebridge Housing PFI was and still is held at social rent which is significantly lower than market rent. The discount factor that should have been applied for social rent is 75%, therefore the NBV at 2016/17 should have been £26.3m. This is an overstatement of £57.7m in 2016/17. The overstatement as at 31 March 2021 is £59.3m. This resulted in a prior period adjustment.</p> <p>In 21/22, the impact of the above error was an overstatement in the NBV of the Stonebridge PFI assets by £91,702m. The Council has adjusted for both the prior period and the current year errors. We have recorded on the adjusted error schedule at appendix C.</p> <p>Our work in relation to this key estimate – valuation of PFI assets is complete. Apart from the point above, we have nothing else to bring to the attention of the Audit and Standard Committees.</p>	Light purple

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 the following:

- 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.
- A grant income of £8.775 million has been incorrectly classified as fees and charges
- A grant income from Peabody development limited of amount £7.35m which relates to the 2022/23 financial has been incorrectly recorded as income for 21/22

The Council has adjusted for all the above errors. We have recorded them on Appendix C.

We have completed our work on grant income and recognition. Apart from the points noted above, we have nothing else to bring to the attention of the Audit and Standards Committee.

Light purple

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
- 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
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 average rate of 2%. <p>Our work on MRP is complete.</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
- **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 - 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>We made enquiries with the Council on how they derecognize their infrastructure assets when we became aware 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>There was a consultation by CIPFA on how to address the derecognition issue. A statutory instrument came into force on 25 December 2022 and CIPFA issued an update to the Code for infrastructure assets in November 2022. A further guidance was issued by CIPFA in January 2023. We have documented our findings on infrastructure assets on slide 13.</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 updated CIPFA code and new guidance on infrastructure assets.</p> <p>Management response</p> <p>The council has received 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.

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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



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 2011 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	<p>We intend to certify the closure of the 2021/22 audit of the London Borough of Brent in the audit report.</p>

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 completed all of our VFM work and we will issue our Auditor's Annual Report to the Audit and Standard Committee at its meeting on 07 February 2023. 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	We do not prepare the returns and therefore, this mitigates the perceived self-review threat.
		Management	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	We do not prepare the returns and therefore, this mitigates the perceived self-review threat.
		Management	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	We do not prepare the returns and therefore, this mitigates the perceived self-review threat.
		Management	Any changes to the return identified following our work will be formally agreed with the Management and therefore, this mitigates the perceived Management threat.
l4b 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	<p>Income Population Listing</p> <p>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.</p>	<p>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.</p> <p>Management response</p> <p>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.</p>
High	<p>Review of opening and closing Balance</p> <p>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</p>	<p>The Council should ensure that there is a review of the closing balance and opening balances on the Collection Fund system to ensure that the correct opening balance is used in the NNDR model.</p> <p>Management response</p> <p>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.</p>

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
Medium	<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>
Medium	<p>Wilks Head and Eve have made the assumptions of buildings being maintained in a state whereby the components retaining specific lifespans without management providing them with a capital maintenance programme .</p>	<p>We recommend that management share the capital maintenance programme with the valuer based on the assumptions they make in regards to maintenance and determination of asset lives.</p> <p>Management response</p> <p>The council will share this information with the valuer for 22/23</p>
Medium	<p>One of the principal assumptions that drive valuations for schools is pupil numbers. The Council and the valuer confirmed no data on pupil numbers was provided to the valuer regarding pupil numbers.</p>	<p>We recommend that for future valuations, management provide information on pupils number and other data related to this is provided to the valuer.</p> <p>Management response</p> <p>The council will share this information with the valuer for 22/23</p>

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
Low	<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>
Low	<p>There is a £2.6m difference between the debt balance as at 31 March 2022 used in the calculations of bad debt provision and the debt outstanding per trial balance. The difference is due to the extracted amount from Northgate database by IT Team was only the arrears (debits), and not including the collections this year. The provision calculation is weighted per debt aging, the exact impact cannot be calculated however any misstatement in provision it will be immaterial as the difference in debt balance is below PM. The basis for computing the bad debts provision was more prudent yielding higher provision.</p>	<p>We recommend that management ensures that the calculation of provisions is based on the actual debt balance which agrees with the TB and considers both arrears and collections in the year.</p> <p>Management response</p> <p>The council will review this process for 22/23, noting the concerns detailed.</p>
Low	<p>The Council confirmed that they did not consider forward looking information in their calculation of expected credit loss for adult social care debtors, temporary housing and HRA debtors. This should have been done as IAS 39 has already been superseded by IFRS 9. Per the CIPFA Code 21/22, para 7.2.9.19 and para 7.3.3.12, forward-looking information should be incorporated on the impairment calculation for financial assets (CIPFA Code 7.1.2.19)</p>	<p>We recommend that management incorporates forward looking information in the impairment calculation for financial assets.</p> <p>Management response</p> <p>The council will consider forward looking information for 22/23</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.
2	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	<div>✓</div> <div>Payroll creditors reconciliation</div> <div>We recommended that management must complete a reconciliation of payroll creditors and identify any issues which may apply to future years' reconciliations.</div>	Payroll creditors have been reconciled to the closing 21-22 position
5	<div>✓</div> <div>IT audit control findings – Security management</div> <div>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.</div>	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.
	<div>✓</div> <div>Useful economic lives of buildings</div> <div>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.</div>	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.			

C. Audit Adjustments

Impact of adjusted misstatements - Continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Prior Period Adjustment– Council Account			
This shows the correction of prior period error in relation to Stonebridge PFI which was incorrectly valued as an affordable housing (discount factor of 20% applied to market rent) instead of social housing (discount of 75% applied to market rent)			
		64,755	
Dr Revaluation Reserve		(59,316)	
Credit (PPE Cost) NBV		(5,538)	
Cr Accumulated Depreciation			
Shows reduction in the NBV of the assets by £59.3m as at 31 March 2021.			
Dr Accumulated Depreciation		5,538	
Cr Capital Adjustment Account		(5,538)	
Dr Capital Adjustment Account		5,538	
Cr Revaluation Reserve		(5,538)	
Shows movement between the Movement in Reserves Statement and the Capital Adjustment Account			
Correction of the error in valuation of Stonebridge PFI as an affordable housing (discount factor of 20% applied to market rent) instead of social housing (discount of 75% applied to market rent) in 21/22			
Dr Revaluation Reserve		91,702	
Dr accumulated Depreciation		1,204	
Credit (PPE Cost) Gross Carry Amount		(92,906)	
Dr accumulated Depreciation			

C. Audit Adjustments

Impact of adjusted misstatements - Continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Adjustment for assets under construction (AUC), -Gloucester and Durham Road developments which became operational in November 2021			
DR PPE cost (Council Dwelling HRA)		54,556	
Cr PPE cost (AUC)		(54,556)	
Shows transfer from AUC to Council Dwellings			
Revaluation as HRA properties			
Dr PPE Cost (HRA Council Dwelling)		40,917	
Cr I and E HRA			
Dr Capital Adjustment Account	(40,917)		
	40197	(40,197)	
Cr MIRS			
		(252)	
Dr (Depreciation on HRA assets)			
CR I and E HRA	252	252	
Dr Capital Adjustment Account	(252)		
CR MIRS			

C. Audit Adjustments

Impact of adjusted misstatements - Continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Correction of grant income which relates to 22/23 which has been incorrectly recorded in 2021			
Dr Grant income	7,350		7,350
Cr Receipt in advance		(7,355)	
Overall impact	3,090	-3,090	3,090

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

Misclassification and disclosure changes - Continued

Misclassification	Auditor recommendations	Adjusted?
In the draft accounts, the Council incorrectly misclassified grant income of £8.7m as fees and charges	To correct the misclassification between other payables and trade payables. 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 is not adjusting as the error of £804k PM.
The Council has incorrectly recognised the full invoice amount of £1.6m of invoices for Zurich insurance which relate partially to both 21/22 and 22/23 as an expenditure in 21/22. This results in a factual overstatement of expenditure by £804k		804		
Dr Liabilities	(804)			
Cr Expenditure				
Overall impact	(804)	804	(804)	

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
Shows the correction of errors resulting from differences in the land value used in calculation, use of incorrect obsolescence rate and difference in the value of undeveloped land calculation for 3 individual asset. The errors resulted in an understatement of £309k factual error after indexation. The extrapolated error is £1.2m understatement.				
Dr PPE Cost		1200		The Council is not adjusting as the error of 1.2m is extrapolated. The factual error of £303k is below triviality.
Cr Revaluation Reserve		(1200)		
Overall impact	(804)	804	(804)	

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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Auditor's Annual Report on London Borough of Brent

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2021/22

Final Report

February 2023

Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Executive summary






Value for money arrangements and key recommendation(s)

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 required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. 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 conclusions are summarised in the table below.

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Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary

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Financial sustainability

The Council continues to operate with an increasing amount of turmoil in the economic environment. Brent, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term. There will continue to be added pressures from significant increases in capital costs, inflation and continued increases in demand for services from some elements of the population that the Council would not previously have had much contact with, as well as the longer-term impacts of Covid-19. The Council has continued to maintain a good financial position including continuing to achieve planned savings.

Our work has not identified any significant weaknesses in arrangements but has identified improvement recommendations in relation to securing financial stability at the Council.

Further details can be seen on pages 7 -12 of this report.



Governance

Our work this year has focussed on further developing a detailed understanding of the governance arrangements in place at the Council and in particular those relating to the two wholly owned subsidiary housing companies and key partnerships.

Our work has not identified any significant weaknesses in arrangements but has identified improvement recommendations in relation to governance.

Further details can be seen on pages 13-17 of this report.



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements but improvement recommendations have been made in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 18-23 of this report.



We have not yet completed our audit of the financial statements for 2021-22 and therefore we have not yet issued an audit opinion.



Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have not yet completed our audit of the financial statements for 2021-22 and therefore we have not yet issued an audit opinion.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any Statutory recommendations

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a Public Interest report

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We have not made any application to the court

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the Council or an officer of the Council:

- is about to make or has made a decision which involves or would involve the Council incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued an advisory notice

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of a Council, or of a failure by an Council to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have not applied for a Judicial Review

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

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

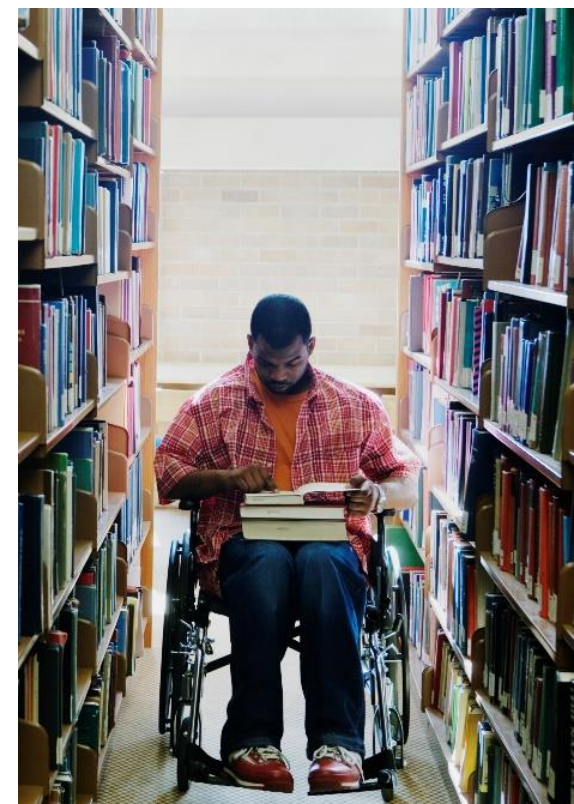


Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 23.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Outturn 2021/22 and budget 2022/23

The 2021-22 General Fund outturn position for the Council prior to accounting for the impact of Covid-19 was break even compared to the original budget on the General Fund. There was a £4.6m overspend on the Dedicated Schools Budget (DSG) and a £0.6m overspend on the Housing Revenue Account (HRA). The total gross Covid-19 impact across the Council was £20.7m.

The Council set a two-year budget in February 2021 with a total £11.2m savings required over the two years in order to achieve a balanced budget (£8.5m in 2021-22 and £2.7m in 2022-23). These savings targets were not revised in February 2022 when finalising the budget for 2022-23. All savings plans were fully assessed for equalities impact and consulted on with external stakeholders including local businesses, residents and key partners. The budget for 2022-23 was clearly aligned to priorities set out in the Borough Plan.

There was slippage of £0.8m on the £11.2m savings set in total for 2021-22 and 2022-23. The full value of those savings will still be achieved during the life of the Medium Term Financial Strategy (MTFS).

Homelessness continues to be a significant issue for the Council. In March 2022 the Council approved the purchase of a site at Edgware Road to meet temporary accommodation needs.

The Council has a commitment to paying the London Living Wage (LLW) where possible, including enabling contractors/providers to pay their workers LLW. This has a particularly large impact on the provision of homecare.

Income reduced as a result of the cessation of some Covid-19 compensation schemes (e.g. Council Tax, Business Rates, fees and charges). Continued restrictions on movement of people was expected to impact on footfall which in turn impact on business rates, fees and charges. The Council experienced a 9% contraction in economy with a 2.6% fall in jobs (compared to 1.9% for West London and 1.5% UK).

Housing Revenue Account (HRA)

The HRA is a ring-fenced budget meaning this money cannot be used for any other purpose. The Council introduced a rent increase of 4.1% generating an additional £2m income for 2022-23. The concierge service charge was also increased to balance the budget and re-procurement of this contract is planned for 2022-23.

Unmetered communal lighting and heating charges were increased by 30% to reflect increased energy prices with the bulk energy contract to be renewed in 2022-23. The heating tariff for metered usage by residents was increased by 55%.

A £7.1m refund to tenants was necessary as a result of a court ruling that Council's had overcharged residents on water and waste-water charges. This was funded through a reduction in the revenue contribution to the HRA capital programme. HRA set a balanced budget for 2022-23 with efficiency savings planned of £0.5m.

Dedicated Schools Grant (DSG)

The DSG budget is also a ring-fenced budget. Within the DSG budget the High Needs Block funding was in deficit of £10.5m carried forward from 2020-21 increasing to £15.9m deficit at the end of 2021-22. A Deficit Recovery Action Plan has been in place since April 2021 to address the deficit.

Financial Sustainability (cont'd)

A members' Schools Forum monitors these actions. A revised Education Health and Care Plan (EHCP) assessment, planning and review process was implemented from April 2021. The number of EHCPs grew by 6% in 2021-22 but this was a lower growth rate than 2020-21 (16%) indicating that the plan is having an effect. £44m Capital Investment was agreed by Cabinet in January 2022 to deliver 427 additional Special Educational Needs (SEND) places. Even with these additional measures the cumulative DSG deficit is envisaged to grow to a total deficit of £21m by 2025-26. This is slightly lower than the £23m deficit envisaged under the initial plan and £6m less than was estimated without the plan in place.

The Council cannot fund a deficit from the General Fund without the Secretary of State's approval as the DSG is a ring-fenced grant. An arrangement is in place until the end of the financial year 2022/23 which allows Council's to treat the deficit as a payment in advance that has first call on the following year's DSG. In December 2021 the Department for Education (DfE) announced new additional funding as part of the Delivering Better Value in SEND programme. This scheme is aimed at assisting Councils which have substantial cumulative deficits. The Council will participate in the three-year programme which includes conducting comprehensive analysis to identify the underlying cost drivers of the high needs system and potential reforms to manage/mitigate these cost drivers more effectively.

The Council has recently modelled the implications on reserves should the deficit need to be met from General Funds. The Council has sufficient unallocated reserves to enable it to meet the deficit in the short-term but this would have a significant impact on longer term financial plans and reduce reserves to a level which would not be sustainable.

Medium Term Financial Strategy (MTFS)

The MTFS is aligned to the Borough Plan and a further £12m savings will be needed in total for 2023/24 and 2024/25 in order to balance the budget. However with uncertainties in funding arrangements as well as increased demand led pressures the Council reported in the 2022-23 budget report that in a worst case scenario there could be a +20% margin for error and that savings requirements could be between £9.6m and £14.4m.

The Council reported in the February 2022 budget report that inflationary pressures (even at 4 or 5%) would mean that adult social care funding reforms could apply pressure to front line services and mean that new funding may not be sufficient to bridge the gap. The Council received £13.3m Improved Better Care Fund and £13.7m Social Care Grant and £6.1m Services Grant to cover new burdens such as National Insurance increases and other inflationary pressures and a £0.91m grant towards paying a fair cost of care. The Council has therefore assumed these increased grants to be revenue neutral.

The Public Health Grant was increased by £0.6m in 2022-23 but this is seen by the Council as a real term cut due to increased demand flowing from impacts of pandemic. Similarly the Homelessness Prevention Grant increased by £0.1m and again this is seen by the Council as a real term cut.

Annual growth assumptions built in to the MTFS include contract inflation, pay inflation, and the demands of a growing population. Future years' budgets are currently balanced, so there is no current plans to utilise unallocated reserves. Significant work has been undertaken to identify savings opportunities to balance the books, and the Council has a strong track record in delivering savings. The medium term financial planning undertaken demonstrates a prudent approach, with a recognition that future funding levels remain uncertain as demand for services is likely to grow and current economic environment will impact the Council's costs.

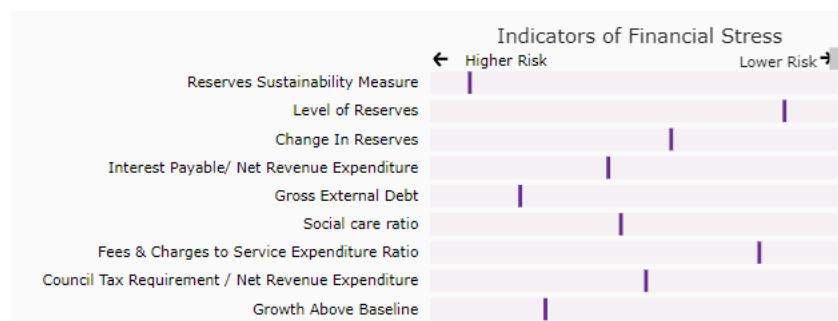


Financial Sustainability (cont'd)

Reserves

The Council has a reserves strategy which is aligned to the MTFs. This reserves strategy aims for 5% of net revenue expenditure for general usable reserves (General Fund balance and service pressure reserve). The General Fund Balance at 31/03/2022 was £15.1m against net revenue spend of £280m, which at 5.3% is in line with this strategy. In addition the Council has a transformation/services pressure reserve of £11.4m and specific Covid-19 pressure reserves of £14.1m. In July 2021 the Council agreed £17.5m funding from reserves for projects aimed at supporting the most impacted communities and businesses and addressing health inequalities. The Council also created a Resident Support Fund funded from reserves. This dispersed £3m in 2021-22.

The below chart shows the Council's risk status against various indicators of financial stress under the CIPFA Financial Resilience Index.



Of particular note is the level of reserves indicates a low risk for the Council as does fees/charges to service expenditure ratio. The Reserves Sustainability measure is however showing as very high risk.

The reserves sustainability measure is the ratio between the current level of reserves and the average change in reserves in each of the previous 3 years. Given that the Council's reserves have increased over the last 3 years, primarily due to grants received for COVID-19, this does not appear to be a high risk for the Council.

Capital Programme and Borrowing

The Council spent £165.4m on its capital programme in 2021-22 against a budget of £220m. This is an underspend of £56.9m.

The Council has a New Council Homes Programme to deliver 5,000 new affordable homes by end 2024 including 1,000 directly delivered by the Council. The Council had delivered 563 as of November 2021. This required capital investment of £47.9m in 2021-22 and £32.1m in 2022-23. This programme is essential in order to avoid reliance on emergency temporary accommodation, which would adversely impact the quality of life for residents and increase costs for the Council.

The Council had total debt of £709m in 2021-22 and £698m in 2022-23 against a Capital Financing Requirement (CFR) of £1.004bn and £1.123bn respectively. Debt is projected to fall to £660m by 2026/27 against a CFR of £1.332bn. The total debt figures are approximately half of the affordable borrowing limits. Financing costs charged to revenue are set to rise from £31.5m in 2021/22 to £57.1m in 2025/26 (11% and 17.5% of net revenue channel respectively). The level of external borrowing is within CIPFA prudential limits.

The Council's wholly owned subsidiary First Wave Housing (FWH) identified in September 2021 that 110 homes (Granville New Homes) required remediation work to address cladding and fire safety issues. The total cost of this work is estimated at £18.5m. This would have meant that the FWA business plan would have been unviable. The Council considered a number of options against the following criteria :

- Putting the properties back into a good state of repair as quickly as possible;
- Causing the least disruption to residents;
- Allocating risks to where they can best be managed; and
- Utilising the structures of the Housing Revenue Account (HRA), General Fund, and its housing subsidiaries in a way that is most financially beneficial to the Council overall.

Financial Sustainability (cont'd)

Page 126



The Council decided that FWH would dispose of the properties to the Council HRA. The HRA would then carry out the remediation work. FWH will continue to manage its other housing provision. The transfer was at zero value based on the fact that the refurbishment costs exceeded the asset valuation of £12.5m.

The increase in the cost of borrowing together with the rising construction costs from high inflation are making the viability of capital projects extremely challenging. For schemes within the Council's existing programme, work is ongoing to identify mitigations to allow delivery to continue; however, this may result in a scope reduction or pausing delivery for a further evaluation at a later date. For schemes within the pipeline and yet to form part of the main programme, updated financial assessments are being undertaken to reflect the increased borrowing costs and scheme costs and the impact on project viability.

There was slight slippage across some parts of the programme including reported delays in commissioning, delays in procurement or contract negotiations as well as supply chain issues and inflationary pressures on budgets requiring additional management. Although there is no evidence that this is a trend for previous years, the fact that these slippages have occurred across different projects, the Council has agreed to explore these to determine if there are any broader lessons to learn. An improvement recommendation has been made in this respect.

Although the Council has not invested in new commercial property it does however derive some income from historically held properties. These properties with a value of £27m generate a yield of £3.1m (15%). This is a very favourable yield when compared to other investment opportunities however performance of such investments is inextricably linked to the wider economic outlook and therefore the Council should continue to be cautious in its assumptions about the level of future yields for the purposes of its financial planning. An improvement recommendation has been made in this respect.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weakness but have identified two improvement recommendations which are set out on pages 11-12.

Improvement recommendations



Financial Sustainability

Recommendation 1

The Council should continue to review the reasons for procurement related delays to the Capital Programme to identify any lessons learned

Why/impact

Delays in the procurement process could increase costs and delay the Council achieving a return on investment.

Auditor judgement

The procurement delays have not been explored by the Council to determine if any improvements to arrangements need to be made.

Summary findings

There was slippage across many parts of the Capital programme including delays in commissioning , delays in procurement or contract negotiations as well as supply chain issues and inflationary pressures on budgets requiring additional management.

Management Comments

Any delays in the delivery of our Capital Programme are reported through the internal Capital Programme Board and included in the reporting to Cabinet on a quarterly basis. If there has been a significant impact on project delivery for example a failed procurement the reasons for this are also reported to Cabinet. The Council will review the key drivers of the procurement delays experienced and ensure the findings are incorporated into future procurement processes.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial Sustainability

Recommendation 2

The Council should continue to ensure that assumptions made about future yield from commercial property remain cautious.

Why/impact

A drop in yield could adversely impact the Council's financial plans.

Auditor judgement

Performance of such income is inextricably linked to the wider economic outlook and therefore the Council should be cautious in its assumptions about the level of yield going forwards.

Summary findings

The Council has a very favourable yield from commercial property, particularly when compared to other investment opportunities. The Council has £20.7m worth Commercial Property generating a yield of £3.1m (15%).

Management Comments

The Council is developing a property strategy for the commercial property estate which will provide an overarching framework for how these assets will be developed and managed. This will support our assumptions around the future yield anticipated from these assets whilst reviewing the impact of future economic uncertainty.



The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Monitoring and assessing risk

The Corporate Strategic Risk Register was updated in March 2022 and aligned to the Borough Plan. The Cabinet consider risks as part of their decision-making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Council Management Team reviews these corporate risks through quarterly monitoring reports. The Corporate Risk Register impact matrix does not explicitly include legal and regulatory impact assessments. An improvement recommendation has been made in this respect.

Risks are identified within individual Service Plans and considered on a regular basis within departmental management teams. Key operational risks are reported through to the Corporate Management Team.

An external quality assessment (EQA) of the Internal Audit Service was last carried out during 2018/19. This concluded that the Service conformed to the Public Sector Internal Audit Standards. The next EQA is scheduled for Q4 2022-23. The Annual Governance statement for 2021/22 issued by the Council states that in the opinion of the Head of Audit and Investigations there is reasonable assurance over the adequacy and effectiveness of the Council's overall framework of governance, risk management and control.

31 internal audits were undertaken during 2021-22 including 13 audits carried forward from 2020-21. The audit plan for 2021-22 included 37 planned audits 8 of which have been carried forward to 2022-23. 11 Audits have been deferred. In addition 8 School Reviews were completed against a planned 10 reviews with two reviews carried forward to 2022-23. The number of audits carried forward each year has decreased slightly however the Council is in a position where audits are deferred to accommodate additional in-year reviews which the Council has identified as being higher risk. No significant weaknesses from a VFM perspective have been identified by internal audit.

Counter fraud arrangements include notable practice such as the introduction of identity verification tools for housing teams and a Counter Fraud Specialist apprenticeship scheme for customer service team members. Specific fraud risk registers have also been prepared at departmental level.

There were no data breaches reported in 2021-22. The Council achieved Cyber Essentials accreditation in February 2022, demonstrating compliance with a minimum level of controls to mitigate the risk from common cyber threats. The Council has a 4-year Cyber Security Strategy agreed in March 2022.

The Council's understanding and management of risk does not demonstrate a risk of a serious weakness.

Budget Setting Process

The budget-setting process is thorough and receives a high level of scrutiny both internally and externally. An equalities impact assessment is undertaken on all proposals. A budget scrutiny task group is formed consisting of members of the two scrutiny committees (Resources & the Public Realm and Community Wellbeing). There is extensive external consultation with residents, community organisations and local businesses.

The Council completed a major project to implement the CIPFA Financial Management Code in 2021-22. An initial self-assessment was undertaken and a detailed action plan presented to the Audit and Standards Advisory Committee (ASC) in December 2021. This identified an 18-month programme of tasks to fully implement the code. Progress with that programme of work was to be managed and monitored using a formal project management governance approach. The project envisaged delivering quick wins by 31 March 2022, with remaining tasks to be delivered by 31 December 2022. Key tasks included: a review of the Council's Value for Money framework; completion of a financial resilience assessment and introducing the use of an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions. The action plan was approved by Cabinet in February 2022 however no further updates have been provided to the ASAC. An improvement recommendation has been made in this respect.

Governance (cont'd)



Budget Monitoring

As part of the budget monitoring cycle, any actuals or forecasts are scrutinised by managers with increasing levels of seniority. This is done with the support of the Finance business partner. Cost Centre managers input a forecast, which is then reviewed by the Head of Service, and then the Operational Director. Amendments to the forecast are made where necessary. This is then reviewed by the Head of Finance and taken to the departmental management team meetings for review.

Figures are added to the Quarterly Financial report which is reviewed by the Director of Finance. All Budget Managers review the financial data at different stages within the forecast review process. This provides effective assurance that what is presented to Council and its sub-committees is accurate.

Financial Systems and Processes

The Council has moved to Oracle Cloud across the Council's various Enterprise Resource Planning (ERP) systems. A number of efficiencies have been achieved by automating many manual processes and reconciliations, as well as improving data accuracy and data security for payroll, procurement, cash management, Accounts Payable and Accounts Receivable. In addition support for the previous version of the Oracle system (R12) expired in December 2021. This meant that regulatory updates, such as tax changes in payroll, changes to pension regulations and bug fixes would not be issued by Oracle after that date.

Moving to Oracle Cloud also enabled the transfer of risk and costs of having on premise data centres to external specialist providers, so that they manage the software and hardware, including backups, disaster recovery and cyber security arrangements on behalf of the Council. This is in line with the Council's Digital Transformation Strategy.

Council Wholly Owned Subsidiary Housing Companies

The Council has two wholly owned subsidiary housing companies: i4B Holdings Ltd (i4B) and First Wave Housing Ltd (FWH). There are two shareholder meetings per year for each company attended by the Chief Executive and S151 officer. One meeting reviews the business plan and performance year to date and agrees priorities with the companies. The other reviews the outturn position including performance and the financial position. In addition the Audit and Standards Committee receives a report from the Auditor and the Chair of the Board on the accounting statements performance in the year and any key risks that need to be monitored. The Council receives financial benefits from i4B, mainly through reducing the use of temporary accommodation. The latest annual report states that i4B brings a gross annual benefit of £1.784 million to the Council. i4B made an operating profit after taxation of £1.898 million and FWH £3.362m in the 2021-22 financial year. The current adverse economic climate could pose a significant risk to i4B's acquisition strategy and FWH tenant rent affordability. This is being closely monitored through the Companies and the Council's own strategic risk register. A recent internal audit of the governance arrangements in place for the subsidiary companies identified a number of recommendations which have been implemented in 2022. The Council should ensure that these recommendations have been implemented and operating effectively. An improvement recommendation has been made in this respect.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have made three improvement recommendations which are set out on pages 15-18.

Improvement recommendations



Governance

Recommendation 3 The Corporate Risk Register impact matrix should include legal and regulatory impact assessments

Why/impact To ensure the full potential impacts of the risks is understood.

Auditor judgement Legal and regulatory impact assessment is a key part of risk management.

Summary findings The Corporate Risk Register impact matrix does not explicitly include legal and regulatory impact assessments.

Management Comments Legal and regulatory impacts already form part of the 'Reputation' and 'Financial' assessments to any risks. Where appropriate, we will consider how best to more explicitly draw out any legal/regulatory impacts.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 4

The Council's Audit and Standards Advisory Committee (ASAC) should ensure timely implementation of the CIPFA Financial Management code requirements.

Why/impact

The Council may not be compliant with the requirements of the code.

Auditor judgement

Progress reports have not been provided to the ASAC.

Summary findings

An initial self- assessment was undertaken and a detailed action plan presented to the ASAC in December 2021. This identified an 18-month programme of tasks to fully implement the code. The project envisaged delivering quick wins by 31 March 2022, with remaining tasks to be delivered by 31 December 2022. The action plan was approved by Cabinet in February 2022 however no further updates have been provided to the ASAC.

Management Comments

Outputs and decisions arising from the FM Code work are already reported regularly in the main finance update reports to Cabinet. A further update will be provided to ASAC when the project is substantially complete.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 5

The Council should regularly review the governance arrangements relating to its subsidiary companies to ensure they are operating effectively

Why/impact

Risks including conflicts of interest may not be effectively managed.

Auditor judgement

The governance roles of certain officers has been clarified in 2022 but the operational effectiveness of these changes has not been assessed.

Summary findings

A recent internal audit of the governance arrangements in place for the subsidiary companies identified a number of recommendations which have been implemented in 2022. The Council should ensure that these recommendations have been implemented and operating effectively.

Management Comments

Reports to the Shareholder/Guarantor, as well as the annual business planning process, and reports to the Audit and Standards Advisory Committee provide information to enable the Council to gain assurance of the operation of the companies. We will continue to review and refine the Governance process and ensure the recommendations from the internal audit are implemented and operating effectively.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

The Council's Performance Management Framework is overseen by the Corporate Performance Team (CPT), within the Chief Executive's Department. The CPT works with Departmental Management Teams to strategically align the Council's performance monitoring and reporting and coordinate the production of two main reports, the Quarterly Performance Report for Cabinet, and the Portfolio Performance Packs. Cabinet receives a report on performance each quarter. Cabinet portfolio holders also have regular meetings with Strategic Directors and review finance and performance indicators.

The performance information produced for scrutiny is highly detailed and an explanatory performance scorecard is included within these reports. This scorecard aligns to the Borough Plan, and sets out RAG ratings for all KPIs used to assess the Council's performance against the targets set out in the Borough Plan. Notable achievements reported include:

- Employment and Apprenticeships secured (273 against a target of 225).
- 4813 students enrolled on Brent Start courses against a target of 4,000.
- The number of households in temporary accommodation reduced to 1,683 against a target of 1,850
- 550 affordable homes have been delivered by external partners against a target of 211

At the end of Q4 2021-22 four KPIs were recorded as Amber and 9 Red.

KPI areas reported by the Council as underperforming include:

- Housing Voids (gaps between tenancies)
- The rate of referrals per 10,000 children was 610 against a target of 540.

The scorecard clearly sets out areas for improvement with commentary against each KPI rated Amber or Red, explaining issues which have arisen and actions taken. There is less visibility regarding how performance is linked to financial performance and vice versa. An improvement recommendation has been made in this respect.

A new 'direction of travel' indicator has been added to the reports to show how each theme in the plan is progressing. This 'direction of travel' has not been reported at individual KPI level and an improvement recommendation has been made in this respect.

The Council adopts a number of methods to receive feedback from user groups across the Council. An annual resident survey samples 1,000 residents profiled for borough demographics. This provides data on what residents want against what they are receiving. This is feedback to departments, some departments will also commission feedback. The Council also holds resident forums, quarterly meetings with local people and feedback to departments.

The Council uses various benchmarking reports including a London specific benchmarking report and CFI. As part of this review we undertook our own analysis using CFI and identified four areas of relative high cost for the Council. This included spend on Social care where costs have increased due to the Council's policy to pay the LLW.

Improving economy, efficiency and effectiveness (cont'd)

Benchmarking data is mainly used by the Finance Team but it is not evident how benchmarking data is used to improve service performance levels. An improvement recommendation has been made in this respect.

We have identified notable practice in the way in which the Council uses data to obtain a single view of residents across the Council's services. The Financial Inclusion draws together data from across various datasets, including Council Tax support and benefits. This enables the Council to quickly identify vulnerable customers and identify which geographic and demographic areas are using the most services, or where the Council may need to alter its plans or strategy.

Data quality is assured by the Corporate Performance team. This process gives assurance that data is being collected, stored and reported using strong data practices. In addition data is submitted to the Performance Team as base data rather than just being sent a count or a calculated percentage. This ensures that there has been no human or rounding errors. The performance Team use a system which calculates monetary and performance figures based on annually agreed calculations which are set out in method statements.

A Capital Programme Board overseas major projects.

Partnership working

The Borough Plan sets out the objectives of partnerships, expected outcomes and deliverables. Scrutiny is provided through the Resources and Public Realm Scrutiny Committee as well as Cabinet oversight. The Council takes part in regular liaison meetings with the most senior officers through its lead role in Strategic Partnerships Board, for example Police, Health, GLA, major Developers and large employers. The Borough Plan has been amended to now include the description of 'anchor institution'. This enables clear demonstration of what is achieved through the Council's role as an enabler in the borough. The Council also takes the lead on discussions with key partners where issues arise. For example there were incidents where Brent residents were allegedly implicated in race riots in Leicestershire. The Council brought together relevant faith leaders to formulate a plan to tackle the issue.

The Council has a Shared Technology Service (STS) covering three Councils (Brent, Lewisham and Southwark). A Joint Executive Committee (JEC) has been established and an officer management board is also in place. A new Service Level Agreement was agreed in January 2021. A detailed risk register is maintained and reviewed by the JEC.

In 2020-21 there were 15 audits across the three partner Authorities covering the work of STS. The JEC had full visibility of all of these audits however the Council's Audit Committee only has visibility of those audits undertaken by its Internal Audit team. These arrangements have been reviewed by the Council and plans made to include all STS related audits in its 2022/23 reporting.

LGA Digital Services is a company limited by shares, which the Council jointly owns 50/50 with the Local Government Association (LGA). LGA digital was set up in July 2016 to allow the Council to manage ICT services for the LGA. Board and governance support is provided by the Council's Transformation team. The Board of the Company is chaired by an LGA Head of Service, with remaining members being made up of Council and LGA representatives. Board meetings are held on a quarterly basis. The company maintains its own risk register and the business plan is reviewed on an annual basis. The current business plan does not contain any financial information and simply sets out the key service deliverables. The longer-term vision for the company is unclear and it is not clear how the Council determines the value for money delivered by the company. An improvement recommendation has been made in this respect.



Improving economy, efficiency and effectiveness (cont'd)

Procurement

The Council has a comprehensive procurement strategy, updated in 2021 to incorporate the Council's Social Value and Ethical Procurement Policy. Oversight is provided by a Procurement and Commissioning Board which is chaired by the Head of Legal. Contract Management has been devolved to Commissioning Managers with guidance and training provided by a central Procurement function. There is a lack of oversight of this process by the Procurement function which means that trends and issues will not get picked up at a corporate level. An improvement recommendation has been made in this respect.

A recent Internal Audit of contract management arrangements has also highlighted the lack of a complete central register of contracts as well as a lack of segmentation identifying key contracts. Work is underway to address this and a new 'Gateway 3' process introduced so that contracts over £2m in value will be reviewed by the Procurement team half-way through their term, so for example a contract that is set to run for 5 years with a possible 2-year extension will be reviewed after 2.5 years to determine if the contract should be extended for the extra 2 years. A further 'Gateway 4' is also planned to review contracts coming to an end and looking at whether to be renewed and whether terms should be reviewed to achieve better efficiency.

The Social Value element of the procurement strategy is key to the Council's aim to improve the local economy by utilising local suppliers. Suppliers also identify key social performance indicators which they pledge to meet. These KPIs and the reporting of them is currently being considered by the Procurement and Commissioning Board.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified three improvement recommendations which are set out on pages 22-24



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 6

Improvements to performance management should be made to include: The 'direction of travel' should be included on performance reports at individual KPI level; Benchmarking data should be utilised to benchmark service performance, and the report narrative should include relevant financial performance information

Why/impact

Effective Performance Management is critical to the Council delivering value for money

Auditor judgement

The current performance management arrangements can be improved

Summary findings

A new 'direction of travel' indicator has been added to the reports to show how each theme in the plan is progressing. This 'direction of travel' has not been reported at individual KPI level.

Benchmarking data is mainly used by the Finance Team but it is not evident how benchmarking data is used to improve service performance levels. An improvement recommendation has been made in this respect.

There is less visibility regarding how performance is linked to financial performance and vice versa.

Management Comments

The Corporate Performance Team accept this recommendation and will include direction of travel at the individual KPI level once new KPIs are in place following the adoption of the new Borough Plan 2023 -2027. In addition, stronger alignment of performance and financial performance, including use of benchmarking information, will be considered going forwards.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 6

The LGA Digital Ltd business plan should be reviewed to identify the key financial deliverables to the Council as well as a longer term strategy to determine how value for money will be achieved.

Why/impact

The financial benefits and value for money achievements for the Council will not be understood.

Auditor judgement

Financial benefits to the Council including longer-term vision and value for money are unclear.

Summary findings

The current LGA Digital Ltd business plan does not contain any financial information and simply sets out the key service deliverables. The longer-term vision for the company is unclear and it is not clear how the Council determines the value for money delivered by the company.

Management Comments

The LGA Business Plan will be revised to specify key financial deliverables to the Council and longer term strategy on achieving value for money. The revised Business Plan will be presented at a LGA Digital Board meeting in February 2023



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 7

Arrangements for the Procurement Function to provide oversight of Contract Management compliance should be improved

Why/impact

Contract Management trends and issues will not get picked up at a corporate level.

Auditor judgement

There is a lack of oversight of Contract Management compliance

Summary findings

Contract Management has been devolved to Commissioning Managers with guidance and training provided by a central Procurement function. There is no second line oversight of compliance with contract management arrangements.

Management Comments

Arising out of an Audit of contract management it was recently agreed by CMT that in future CMT receive an annual contract management report prepared by Procurement covering 10-15 of the council's most high cost/risk contracts. The report will highlight the performance of the key contracts to include identified risks and mitigation plans. The production of the report will be a collaborative exercise, between the relevant contract managers and facilitated by Procurement. There have been discussions at the Commissioning and Procurement Board to identify which contracts should be included and the list is in the process of being finalised.



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	A clear distinction could be made between statutory and discretionary spending in the budgetary information provided to members and published on the web.	Improvement	Sept 2021	The Council will continue to assess ways of providing key budget information to members as part of its budget setting process. That being said, the distinction between statutory and discretionary services is not as clear as it would have been prior to the beginning of austerity, where the number of discretionary services has reduced.	No	No
2	All Covid-19 grant payments to business should be reviewed, and members should check and confirm whether payments were made to any related parties and whether any additional declarations are required to be made by them.	Improvement	Sept 2021	The Council has reviewed the process for Council Members and Chief Officers to declare/disclose 'related party transactions' with the Council on an annual basis, and shared a summary of our findings with appropriate colleagues. As part of the 21-22 Related Party process, Members are reminded that the Council made a significant amount of payments to businesses since March 2020 and they should take this into consideration when completing their 21-22 Related Party return.	Yes	No
3	In developing the annual plan, internal audit should consider an exercise to review legislation passed over the last year (or due to be passed) which will have implications for the Council.	Improvement	Sept 2021	A comprehensive risk assessment process is followed in preparing the annual plan. As part of this process, risk assessments are performed per each department. One of the risk factors considered includes the implementation of any new legislation.	Yes	No
4	All but two of the eleven departmental risk registers follow the standardised format. This format is good, with a scorecard at the front of the register setting out the weighting and the scoring of risks. We recommend that all departments use this model, as the weighting and scoring system is good and focusses the assessment of risks on those which are high..	Improvement	Sept 2021	All Departmental risk registers follow a standardised format. Over the past 12 months the Council has made considerable progress in developing its strategic risk register. The began with an exercise at Senior Managers Group in December 2021 - led to two papers being presented to CMT - and resulted in the refreshed strategic risk register being taken to Audit and Standards Advisory Committee in June 2022. The Strategic Risk Register now forms a significant part of internal audit planning - and Internal Audit prepare an assurance risk map against all strategic risks.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	Whilst interests declared by members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests of the Cabinet or of a specific Committee as a whole.	Improvement	Sept 2021	The Mod.Gov system used to maintain the register of interests does not support a central register. Other boroughs using this system have the same approach as Brent and do not maintain a manual central register.	No	The Council will raise with Mod.Gov whether this is something they are, or could, include in future development of their product.
6	There is no requirement to register gifts or hospitality which have been declined. This could be helpful to report to other members as a matter of course, so they can be alert in case they are also approached and offered something which ought to be declined.	Improvement	Sept 2021	The Council has advised it will not be implementing this recommendation for the following reasons. The register of gifts and hospitality is linked to the Code of Conduct. Where a gift is received a personal interest that must be declared at meetings is created and may affect participation. Including declined gifts may lead to confusion and undermine the effectiveness of this mechanism. In the view of the Council it would not be proportionate for members to be in breach of the Code of Conduct with the consequences that entails for failing to register something they have refused.	Yes	No
7	The Council should consider including an analysis which benchmarks its performance against that of other authorities, both in its internal management information and in its corporate performance scorecard. implications for the Council.	Improvement	Sept 2021	Benchmarking reports/dashboards are made available to all performance and management teams as and when they are published. Benchmarking data has been previously included and consideration can be given to including benchmarking data in the future.	No	The benchmarking analysis should form part of the budget approval process so that members have a clear view when making decisions.
8	Routine reporting of services provided by external contractors should be included in the information provided to and reviewed by those charged with governance.	Improvement	Sept 2021	A recent Internal Audit of Contract Management has been undertaken.	No	Implement recommendations of IA report

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
9	All those charged with the management and monitoring of contracts within their service should meet at least annually for refresher training. This should include establishing and monitoring KPIs for service performance, as well as dispute resolution and escalation.	Improvement	Sept 2021	A recent Internal Audit of Contract Management has been undertaken.	No	Implement recommendations of IA report
10	The Borough Plan is very high level with lots of strategic aims and goals, but it isn't very specific. It doesn't say how the Borough plans to achieve those goals. Consideration should be given to referring to the action plans in place in achieve these aims and objectives..	Improvement	Sept 2021	A new Borough Plan is in draft. The new plan includes details of the success measures we aim to achieve. Action plans to monitor delivery are held in the departments and form the basis of quarterly performance reporting	Yes	No
11	Working with partners is a key theme throughout the Borough Plan. However, the plan is not explicit in setting out how it works with partners. Nor is it clear in the Corporate performance Scorecard which of the KPIs are being delivered by partners.	Improvement	Sept 2021	The Council's partnership arrangements allow multiple interactions across our priorities. Partners contribute to the delivery of many KPIs but arrangements vary from goodwill to formal commissioning arrangements.	No	The Council should include where possible.
12	Consideration should be given to defining social value in the procurement strategy, to setting out the Council's current position (against which to benchmark targets) and to adding numerical (rather than just aspirational) targets in the plan.	Improvement	Sept 2021	The Procurement strategy has been updated in this respect and a Social Value ambassador appointed.	Yes	No

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
13 Whilst we understand the social values in the Council's procurement Policy have been communicated to its suppliers, it is not clear that mechanisms exist to measure whether these values are being met. The Council should consider the development of a mechanism to measure whether and how suppliers are meeting these goals.	Improvement	Sept 2021	The Director of Communities heads up the Council's corporate performance team and is now the Social Value ambassador for the Council and is currently reviewing all relevant KPIs and reporting. This work is set to conclude in 2023.	Yes	No

Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pages 11-12 Pages 15-17 Pages 21-23



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	Audit and Standards Advisory Committee 7 th February 2023
	Report from the Corporate Director Finance and Resources
Strategic Risk Register	
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:	One Appendix A: Strategic Risk Register
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Darren Armstrong Head of Audit and Investigations 020 8937 1751 Darren.Armstrong@Brent.gov.uk

1. Purpose of the Report

- 1.1 This report provides an update on the Council's Strategic Risk Register, which summarises the Council's corporate risk profile as of January 2023. It has been prepared in consultation with risk leads, Departmental Management and Senior Leadership Teams. The report reflects the risks that are considered to be of an impact and/or likelihood of materialising and which may have an adverse effect on the achievement of the Council's corporate objectives.
- 1.2 The content is provided via a 'bottom-up' provision of risks from services and departments which are deemed to require consideration at the higher level. Additionally, risks are input directly from the Council Management Team (CMT).

2. Recommendation

- 2.1 The Committee is asked to note the report.

3. Strategic Risk Register

- 3.1 The updated Strategic Risk Register can be seen at **Appendix 1**.

- 3.2 Since the previous update of the Register in June 2022, the Council has continued to operate in a heightened risk environment owing to a number of factors, including an uncertain economic situation, the rate of inflation, and a spike in energy and utility costs. The cost of living crisis is continuing to adversely affect Brent residents and increase demand on Council services, including adult's and children's social care and the homelessness service. These factors, in addition to the continued impacts of the pandemic, have also increased pressure on the Council's budget and savings programme.
- 3.3 The Council's overall risk profile therefore reflects the challenging risk environment the Council is operating in, with five of the eight strategic risks showing an increased risk score since the previous version of the report. The Lack of Supply of Affordable Accommodation (+15) and Cost of Living Crisis (+5) are two of the risks that have shown the biggest movement in risk scores. All eight risks also currently sit outside of their target risk score.
- 3.4 One risk, in relation to the Increased Demand from Migration and People Movement, is showing a downward trend in risk score since the last update (-2).
- 3.5 The Council's highest scoring risks are the Increase in Dedicated Schools Grant High Needs Block Deficit, which is consistent with previous iterations, and the Supply of Affordable Accommodation. Both risks have the highest possible risk score of 25 (Impact:5, Likelihood:5).

New/Closed Risks

- 3.6 There have been no new or closed risks since the previous update. However, in previous iterations of the report two separate risks had been identified relating to Budget Setting and a Failure to Deliver Planned Savings. These have now been combined to form one overarching risk in relation to the Council's financial resilience and sustainability.
- 3.7 A risk in relation to the emergency preparedness and/or business continuity implications that may arise due to power cuts to the UK's National Grid has been identified and considered. It was agreed that this risk will be managed at a Departmental level and as part of the overarching emergency preparedness and business continuity risk; however, this will continue to be monitored and will be incorporated into the Strategic Risk Register if or when deemed to be of a level that exceeds the appropriate tolerance.

Amendments to risks

- 3.8 Amendments have been made to the individual risk scores of existing risks, as illustrated by the 'previous' and 'updated' risk score columns. Amendments have also been made to the detailed risk plans (section 4), where appropriate.

Target Risk Scores

- 3.9 A new addition to the report is the inclusion of target risk scores for each strategic risk. The target risk scores have been set and agreed by the relevant

CMT risk sponsor and demonstrates the risk score that the Council is working towards achieving or maintaining.

Inherent risks

- 3.10 There are a number of inherent risks that the Council faces, which continue to be owned and monitored at a departmental level (and therefore do not form part of the Strategic Risk Register). These have previously been identified as:
- Safeguarding (Children and Adults);
 - Business Continuity;
 - Information Governance;
 - Legislative Compliance;
 - Fraud and Corruption;
 - Major Unforeseen Event;
 - Financial Stability, and
 - Health and Safety.
- 3.11 These risks will be incorporated into the Strategic Risk Register when net or mitigated risk scores are deemed to be of a level that exceed the appropriate tolerance.

4. Risk Management Framework

- 4.1 Risk is the uncertainty of an event occurring that could have an impact on the achievement of objectives and is measured in terms of impact and likelihood. It can have either a positive or negative impact on the achievement of the Council's aims and objectives.
- 4.2 Risk is inherent in everything that the Council does to deliver high-quality services to residents. Risk management is therefore about being 'risk aware', and not 'risk adverse'. It is the planned and systematic approach to the identification, evaluation and management of risks associated with the Council's activities. Risk management is a key element of the Council's governance framework.
- 4.3 The core elements of the Council's Risk Management Policy and Strategy are:
- Risk management is aligned to the Council's corporate objectives and priorities to help ensure that outcomes are achieved;
 - All Members and Officers have a responsibility and a role to play in managing risks;
 - Statutory responsibilities exist within the Accounts and Audit Regulations requiring Local Authorities to have arrangements in place for managing risks.
- 4.4 Risk management practices have also been incorporated into various decision-making activities, including corporate, directorate, service and financial planning; strategic policy decision making; performance and project management; health and safety, and other relevant activities.

- 4.5 Enhancements continue to be made to the Council's risk management framework, where deemed necessary and appropriate to do so, such as the introduction of target risk scores.

5. Departmental Risk Management

- 5.1 The Risk Management Policy and Strategy also requires departments 'to ensure that operational and strategic risks within departments are effectively managed'. Departments are also responsible for maintaining departmental risk registers and escalating risks to CMT where risks escalate beyond agreed tolerances.
- 5.2 Internal Audit continues to liaise with all departments to provide risk management support and to assist with the updating of their risk registers. Internal Audit also comment on the completeness and reasonableness of the information provided and use the information to inform their annual and in-year audit planning processes. This helps to ensure that audit resource is effectively targeted at providing assurance on the highest risk areas.
- 5.3 Continual development of risk registers facilitates opportunities to reduce duplication between departments in identifying and managing overlapping risks whilst providing opportunities for shared learning across the Council.

6. Financial Implications

- 6.1 There are no specific financial implications arising from this report.

7. Legal Implications

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

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

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk."

8. Equality Implications

- 8.1 None

9. Any Other Implications (HR, Property, Environmental Sustainability - where necessary)

- 9.1 None

10. Proposed Consultation with Ward Members and Stakeholders

10.1 None

Report sign off:

Minesh Patel

Corporate Director Finance and Resources

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Strategic Risk Register

January 2023

Contents

1. Risk Evaluation Matrix
(Page 2)
2. Strategic Risk Heat Map
(Page 3)
3. Summary of Strategic Risks
(Pages 4)
4. Strategic Risk Plans – detailed information and action plans
(Pages 5-13)

1. Risk evaluation matrix

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

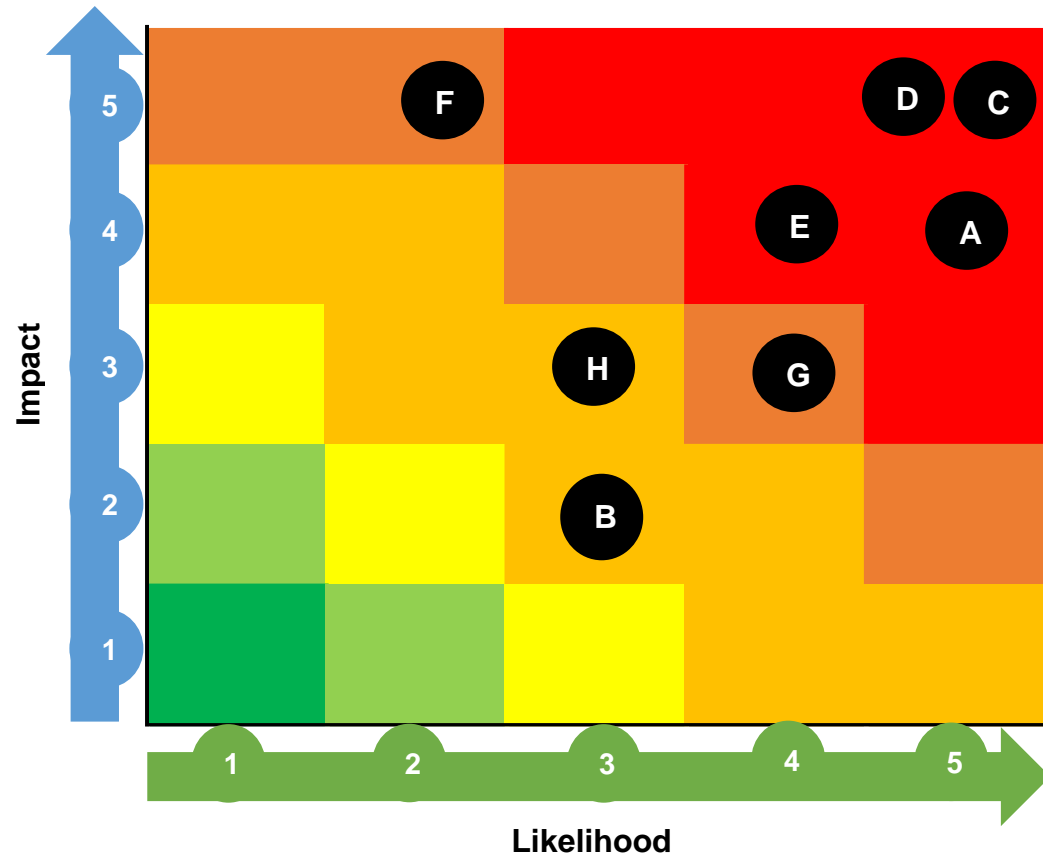
Risk Impact Matrix				
Impact	Financial	Service Delivery	Health and Wellbeing	Reputation
5	Major Financial loss (above £2m)	Major disruption to a number of critical services	Multiple deaths / serious life-changing injuries / extreme safeguarding concerns.	Long term damage – e.g. adverse national publicity.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

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

2. Strategic Risk Heat Map

Ref Risks

- A. Cost of living crisis
- B. Increased demand from migration and people movement
- C. Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit
- D. Lack of supply of affordable accommodation
- E. Cyber Attacks
- F. Financial Resilience and Sustainability
- G. Recruitment and Retention
- H. Contract Management



3. Summary of Strategic Risks

Ref	Risk Title	CMT Sponsor	Previous Risk Score (June 2022)	Current Risk Score (January 2023)	Trend	Target Risk Score	Difference between current and target score
A.	Cost of Living Crisis	Corporate Director Resident Services	15 (I:3 x L:5)	20 (I:4 x L:5)	↑	15 (I:3 x L:5)	+5
B.	Increased Demand from Migration and People Movement	Director of Engagement Strategy and Communications	8 (I:2 x L:4)	6 (I:2 x L:3)	↓	4 (I:2 x L:2)	+2
C	Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit	Corporate Director Children and Young People	25 (I:5 x L:5)	25 (I:5 x L:5)	↔	16 (I:4 x L:4)	+9
D	Lack of supply of affordable accommodation	Corporate Director Resident Services	10 (I:5 x L:2)	25 (I:5 x L:5)	↑	15 (I:5 x L:3)	+10
E.	Cyber Attacks	Corporate Director Finance and Resources	15 (I:5 x L:3)	16 (I:4 x L:4)	↑	12 (I:3 x L:4)	+4
F.	Financial Resilience and Sustainability	Corporate Director Finance and Resources	8 (I:4 x L:2)	10 (I:5 x L:2)	↑	5 (I:5 x L:1)	+5
G.	Recruitment and Retention	Corporate Director Governance	9 (I:3 x L:3)	12 (I:3 x L:4)	↑	6 (I:3 x L:2)	+6
H.	Contract Management	Corporate Director Governance	9 (I:3 x L:3)	9 (I:3 x L:3)	↔	6 (I:3 x L:2)	+3

4. Strategic Risks Plans – detailed information and action plans

Key: Cause, event, consequence

A. Cost of living crisis			
Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>The cost of living crisis caused by the war in Ukraine, Covid-19, Brexit and rising rates of inflation impacts on Brent residents resulting in more families and households falling into hardship, leading to increased levels of service demand on the Council and additional pressure on front-line services.</p>	<p>The cost of living crisis is already having an impact on the residents of Brent and the Council is committed to doing what it can to support those in greatest need. Service demand continues to rise with particular pressures on adults’ and children’s social care and the homelessness service.</p> <p>A report to Cabinet in June 2022 outlined the measures already in place to support residents as well as other planned actions. This work is being steered by a cross council group led by the Corporate Director for Resident Services. Existing support includes the Resident Support fund, food and fuel poverty toolkit, affordable warmth scheme, cost of living sessions for front line staff, and the financial inclusion dashboard. The Government Household Support Grant is also being used to support residents and a warm spaces scheme has been established.</p> <p>In addition, an outcome based review was launched in June 2022. The discovery phase of the review culminated in a visioning event on 29 September 2022 which was attended by over 100 Councillors, council officers, partners and VCS groups. The session identified three new initiatives which will be prototyped from late 2022 as part of the next phase of the OBR:</p> <ul style="list-style-type: none">• A Community Shop providing discounted food items, as well as a space for people to access advice and activities• A programme to upskill frontline staff with training to ensure more early intervention takes place and to increase capacity for specialist money, debt and benefits advice• A crisis response fund empowering the VCS sector to support residents in urgent need	<p>Previous: I: 3 L: 5 T: 15</p> <p>Current: I: 4 L: 5 T: 20</p> <p>Target: I: 3 L: 5 T: 15</p>	<ul style="list-style-type: none">➤ The Brent Resident Support Fund (RSF) has been in place since August 2020. Up to £7.8m is available via the RSF in 2022-23.➤ A cross council steering group, chaired by the Corporate Director for Resident Services, is in place to oversee the Council’s response with a wide range of support measures already in place.➤ A Financial Inclusion Dashboard is in place which draws together data from across various datasets, including council tax support and benefits. This is used to identify residents who may need targeted supports (i.e. in arrears). It also provides a strategic oversight for senior management.
Action Plan		CMT Sponsor: Corporate Director Resident Services	
<ul style="list-style-type: none">1. To prototype a community shop and kitchen during the winter period and use learning from this to develop longer term approaches.2. To prototype and then roll out a process to enable VCS organisations to support residents in urgent need access to support.3. To prototype a training programme for frontline council and partner organisation staff to enable them to better spot signs of hardship and to refer to appropriate support. Alongside this, to increase the capacity for specialist money and debt advice and support in Brent.4. To roll out a warm spaces scheme in Council buildings and other locations over the winter.5. To continue to enhance the FI Dashboard by adding additional data sets and using this to get a better understanding of the impact of the crisis in Brent and to target residents in need of support.			

B. Increased demand from migration and people movement

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>There is a risk that a sustained increase in migration and movement of people could result in increased demand on the Council's critical front-line services (including housing, education and looked after children), which may result in service deterioration, financial pressures and also impact on the wider cohesion of the community.</p>	<p>The Council continues to experience increased service demands and pressures due to the increased levels of migration and movement of people.</p> <p>Ukraine: The Government has announced that Ukrainian Nationals can come to the UK if they have an immediate family member who is living here with leave to remain. The Government is currently processing almost 300,000 VISA applications from Ukrainians. Most of these are likely to be women and children. As of 1 March 2022, as well as immediate family members, British nationals and people of any nationality settled in the UK are being supported to bring Ukrainians with no ties under a Community Sponsorship Scheme to the UK. Normal requirements for salary or language tests will be waived. The sponsor will provide housing and integration support. The Voluntary and Community Sector (VCS) in Brent is strong, with many faith groups actively supporting communities. The new sponsorship scheme brings an independent ability for the VCS and Faith sector to increase the Ukrainian population. There is also the potential for pan London organisations to sponsor families and impact on us locally. The Government has announced a support package to support Ukrainians who are here under the sponsorship scheme, but there is no extra funding for those here under the family scheme. 375 Ukrainians have come to Brent under the Sponsorship scheme, although some have returned to Ukraine, or moved on to accommodation outside the borough. The sponsor signs up to the provide a home for their Ukrainian guests for six months (but can provide the home for longer). The first agreements are coming to an end resulting in Ukrainians requiring housing. The large number of immediate arrivals, means there is a higher likelihood for safeguarding risks.</p> <p>Asylum Seekers: Brent has an existing population of around 600 asylum seekers in three hotels in Wembley. To date, CYP is able to accommodate the required places in our schools. Some of those individuals have presented themselves as Unaccompanied Asylum Seeking Children (UASC). The Council has dealt with over 70 cases and legal currently has 52 live files regarding requests for interim support and accommodation under section 20 Children Act 1989.</p> <p>Afghans Relocation and Assistance Policy (ARAP): The British Government put two schemes in place: The Afghans Relocation and Assistance Policy (ARAP) for those who worked with the British in Afghanistan (and their families) and the Afghan Citizens' Resettlement Scheme for those at risk in Afghanistan. Due to the Afghan community already settled in West London, boroughs in this area are more likely to receive more homeless applications. This puts a disproportionate pressure on Brent and other Local Authorities in this area</p>	<p>Previous: I: 2 L: 4 T: 8</p> <p>Current: I: 2 L: 3 T: 6</p> <p>Target: I: 2 L: 2 T: 4</p>	<p>➤ A multi-agency migration coordination working group has been set-up, including strategy, housing, public health, community protection, looked after children and legal services, as well as Brent NHS NWL and the Met. police. The Council's website has also been updated with a page to provide information regarding the situation in Ukraine. Meetings have also been called with the multi-faith forum and the voluntary sector.</p> <p>➤ A team has been recruited to support the Ukrainians here under the Homes for Ukraine scheme, and is currently being expanded, funded by the scheme.</p>
Action Plan		CMT Sponsor: Director of Engagement Strategy and Communications	
<p>1. Housing Officers recruitment is underway and funded by the scheme. Recruitment is also underway for focused safeguarding officers. Once the recruitment is completed, the pressure on the service should decrease.</p>			

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

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>There is a risk that current deficit will continue to rise due to an increase in the number of children needing Education and Health Care Plans (EHCP). This could have an adverse impact on the ability to meet the needs of pupils who require special educational support and the Council's legal obligation to meet the educational needs of children in the borough. There is also likely to be an adverse impact on the ability to meet the DfE's requirement to produce a balanced DSG budget.</p>	<p>At the end of the financial year 2021/22 the overall DSG deficit due to pressures in the High Needs Block was £15.1m. As a result, cost avoidance is required over the next 5 years. A Management Plan has been put in place, which assumes a slowdown in the growth of EHCPs from 16% to 7% by 2025-26 and assumes that the HNB funding will increase by 13% in 2022/23, 5% in 2023/24 and 3% over the next few years.</p> <p>The forecast for the actions in the management plan, which have been quantified, will realise mitigating actions and cost avoidance from £2.2m in 2021-22 to £4.5m by 2025-26. However, although the pressure is forecast to slow down, the reduction in the HNB funding in future years would have an impact on the reduction against the cumulative deficit if demand for EHCPs continue to grow.</p> <p>The Department for Education has invited the Council to participate in the Delivering Better Value in SEND support programme. The programme will provide dedicated support and funding to help 55 local authorities with substantial, but less severe, deficit issues to reform their high needs systems. The DBV is a 3-year transformation programme, which will include conducting a comprehensive diagnostic process to identify the underlying cost drivers of the high needs system and potential reforms to manage/mitigate these cost drivers more effectively. The programme commenced in the autumn of 2022.</p> <p>There is limited opportunity to recover the historical deficit. This is due to the insufficient resources allocated to implement the Children and Family Act legislation in 2015. However, this is a national issue.</p> <p>Tighter financial management controls are ensuring there is full cost recovery from other local authorities that place pupils in Brent special schools including administration and other specific costs. A 5% charge applied on the top-up element for all placing authorities is now effective from September 2021, in recognition of the additional services put into place by Brent.</p> <p>The department continues to progress against the themes of the Management Plan, which are Managing Demand, Improving Sufficiency of Places and Financial Management.</p>	<p>Previous: I: 5 L: 5 T: 25</p> <p>Current: I: 5 L: 5 T: 25</p> <p>Target: I: 4 L: 4 T: 16</p>	<ul style="list-style-type: none">➤ Bi-Monthly task group led by Corporate Directors of CYP and Finance the DSG management plan is realising some traction. The in- year deficit has been halved in 2022/23 despite additional cost burdens for special school staffing and pensions being funded through the HNB.➤ A tighter oversight of the criteria of EHCP assessments and plans will support demand management.➤ Brent's participation in the Delivering Better Value (DBV) programme. DBV analysis has demonstrated the impact of management controls – placement moves and number of EHCP – over the last 12 months. This will continue to be monitored as the DBV programme progresses.
Action Plan		CMT Sponsor: Corporate Director Children and Young People	
<p>. To reduce costs to set an in year balanced budget and then start to recover the cumulative deficit through:</p> <ol style="list-style-type: none">1. The introduction of the SEN Support service with the expectation to manage demand, as part of the Graduated Response Programme; improved quality EHCP assessment; and person centred planning and SMART annual reviews. Therefore, young people will be provided with earlier support, thereby reducing the need for			

an EHCP to trigger additional support. £0.5m has been approved by the Schools Forum for SEN Support and the pilot commenced in September 2021. Impact analysis will be undertaken over AY 2022/23.

2. Looking to establish more SEND provision in the borough as part of the School Place Planning Strategy Refresh, including developing new Additionally Resourced Provisions in the academic years 2022/2023- 2024/25. This will reduce the need for young people to be placed in schools in other boroughs.
3. Continued tighter financial management controls.
4. Continued central government lobbying.
5. As part of the DBV programme the council will receive a £1m non-recurrent grant to pump prime a change programme in Brent. The proposal will have to demonstrate a return on investment, be evidenced based and partnership wide. The proposal will be overseen by the Corporate Director of Children and Young People and Corporate Director of Resources. The submission will be made in February 2023 for implementation across 2023/24 and 2024/25 financial years.

D. Lack of supply of affordable accommodation

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>There is a risk that as a result of the limited supply of affordable accommodation, in the PRS, settled Temporary Accommodation (TA) and Social Housing, progress made towards increasing the sufficient supply of accommodation to meet the demand from homeless households could be reversed. This could lead to greater reliance on emergency temporary accommodation, which would have impacts on the wellbeing and quality of life for residents, and also provide an additional burden on the general fund.</p>	<p>In 2012, Brent had 3,176 homeless households living in TA, which was the largest number in the country. By 2018, this number had reduced to 2,450 and it now stands at 1,705. With progress being made on the New Council Homes programme, we believe we will meet the need for 1-3 bedroom properties. The picture is more limited for families in need of a 4+ bed accommodation, where will believe a significant shortfall will remain. The recent economic downturn related to the Covid pandemic and the cost of living crisis has resulted in many households facing the risk of homeless. Some of these households are affected by the Overall Benefit Cap, which makes finding alternative private rented accommodation in the borough extra difficult. This means that the families are unable to afford Private Rented Accommodation (at the LHA rate) or settled temporary accommodation, in TA leasing schemes. To make matters worse, landlords who were renting out their properties in the private market, are now exiting the market, making it increasingly difficult to procure private rented properties for households in need.</p> <p>The greatest control we can exert on the model is building new Council-owned supply, and encouraging RSLs to build what we need. We can also exert control through social housing re-lets/voids, private rented sector offers, and new build social housing. The Team is also working with the affected families to support them to secure work, and so be exempt from the benefit cap, as well as identifying households who are accruing debt, in order to proactively make contact and offer assistance at an earlier stage, to prevent homelessness.</p> <p>The New Council Home Programme is however being placed under pressure financially due to significant changes in the market (both inflation and cost rises). This has not been helped by the government changing its policy on funding replacement homes in estate regeneration schemes and remaining inflexible regarding the use of right to buy receipts. As a result, the Council is having to consider cross subsidising schemes by converting some homes to shared ownership. This would reduce the number of homes available for homeless households. We are also seeking to purchase large scale s.106 schemes, which provides an opportunity to increase our housing stock, at a lower purchase price. This includes being the preferred social housing partner for all South Kilburn schemes. The Housing Needs Service is working with Notting Hill Genesis HA, who supply TA through the HAL scheme, to procure more property in the North of Brent, where LHA rates are lower, as well as a new initiative to procure properties to use for the prevention of homelessness as opposed to TA.</p>	<p>Previous: I: 5 L: 2 T: 10</p> <p>Current: I: 5 L: 5 T: 25</p> <p>Target: I: 5 L: 3 T: 15</p>	<ul style="list-style-type: none">➤ A Housing Needs group, chaired by the Head of Housing Needs, is in place to monitor the Council's use of emergency accommodation➤ Homelessness services focused on prevention to decrease demand➤ Brent is a founder member of Capital Letters to increase supply of affordable PRS accommodation.➤ I4B created to increase supply of affordable PRS accommodation.➤ 2 purpose built emergency accommodation schemes delivered, with a third due to be delivered in 2024.
Action Plan		CMT Sponsor: Corporate Director Resident Services	
<ul style="list-style-type: none">1. To continue delivering the New Council Homes Programme at pace, with a focus on large family homes.2. To continue to look at additional purchases of street properties that meet specific needs.3. To ensure completion of a new temporary accommodation scheme that would provide an additional 100 units of temporary accommodation.4. To continue to work with Private Sector landlords to procure affordable accommodation.			

E. Cyber Attacks

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>There is a heightened threat of Cyber-attacks, if they were successful this would potentially impact all services, to the extent that they would be unable to provide a service in the first instance, data may be published online and ICO significant fines result, this would have significant reputational damage to the Council.</p>	<p>Several Councils have been subject to Cyber-attacks. The Cabinet Office are advising that there is a heightened security risk level at the current time, including as a result of the war in Ukraine. The protections in place for the Council, to prevent an intrusion are considered high however, recent experience has been attacks on backups.</p> <p>STS and Brent have Cyber Strategies in place implementing has been progressing. This has included investment in improving cyber security via new backup systems, Microsoft E5 licenses and a move to M365. Brent has implemented additional controls around the backup process, including taking and storing offline backups for added security and the implementation of immutable, air-gapped backups.</p> <p>However, the level and type of threat continues to evolve and our focus is now on perimeter monitoring and protection. Learning from a recent attempt to inject the Brent Website with malicious code, and from a recent exercise with the London Office for Technology and Innovation and Jumpsec, has been used to develop new plans to mitigate against future attacks and enable us to better manage incidents when they do arise.</p> <p>Brent continues to benchmark its approach and to learn from the experiences of others. A recent Cyber 360 review by the LGA included positive feedback about the cyber security culture and governance within the council.</p>	<p>Previous: I: 5 L: 3 T: 15</p> <p>Current: I: 4 L: 4 T: 16</p> <p>Target: I: 3 L: 4 T: 12</p>	<ul style="list-style-type: none">➤ Security Logging and Endpoint Management implementation.➤ Procurement of a Security Operations Centre service.➤ Just-in-time administration for administrative accounts.➤ Enhanced awareness and training across specialist IT and all Brent users.➤ Continuous development of Cyber Playbooks.
Action Plan		CMT Sponsor: Corporate Director Finance and Resources	
<ol style="list-style-type: none">1. We are engaging with 3rd parties to implement the Microsoft Defender suite (enabled in part by the recent investment in M365 E5 licenses) and security logging and event management through Sentinel centralised alerting platform.2. Developing our requirements in order to procure a Security Operations Centre service from an external expert supplier to monitor cyber events across our on-premise, cloud & 3rd party environment.3. Enhanced training for IT staff within the Shared Service and Brent applications team on cyber, security and technology.			

F. Financial Resilience and Sustainability

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>The budget setting process may not account for emerging unknowns and/or there may be delays in delivering planned savings, which may impact on the Council's overall financial resilience and sustainability. This may result in the Council not having sufficient resources to fund all of its priorities, or needing to find further savings to meet budget gaps.</p>	<p>Since 2010, Brent has delivered total cumulative savings of £196m. In the last two years, 2021/22 and 2022/23, the Council has saved £11.2m. In November 2022, the Director of Finance presented the draft budget for 2023/24 to Cabinet. The report outlined the Council's overall financial position and highlighted significant risks, issues and uncertainties with regards to the Council's Medium Term Financial Strategy (MTFS) arising from high levels of inflation, economic turmoil resulting from war in Ukraine, the Government's short-term funding settlements, delays in funding reforms, the effects of the cost of living crisis and the impact of Brexit.</p> <p>Given the high-level of uncertainty over the economic environment and the funding of local government, the Council has decided to restrict its budget proposals to a single year, for 2023/24 only, rather than the two-year programme that was customary practice. Once the funding position is clearer, the Council intends to return to setting its budget on the basis of a two-year programme aligned to the Borough Plan.</p> <p>The report identified the budget gap between 2023/24 and 2024/25 at £28m based on current budget assumptions and scenario modelling. This is profiled at £18m for 2023/24 and £10m for 2024/25.</p> <p>As part of the report a new package of savings, totalling £18m, was presented in order to balance the budget for 2023/24. The delivery of these savings is the cornerstone of the Council's MTFS in order to demonstrate it is able to operate in a financially sustainable and resilient way.</p> <p>The Council monitors the delivery of planned savings, and mitigating actions where relevant, on a quarterly basis and these are reported to CMT and Cabinet. The significance of the financial risks cannot be underestimated and measures are being taken to ensure that the Council continues to operate in a financially sustainable and resilient way.</p>	<p>Previous: I: 4 L: 2 T: 8</p> <p>Current: I: 5 L: 2 T: 10</p> <p>Target: I: 5 L: 1 T: 5</p>	<ul style="list-style-type: none">➤ Each department monitors the delivery of planned savings, and mitigating actions where relevant, at its DMT.➤ A Savings Tracker is reported to CMT and Cabinet.➤ Savings proposals are subject to challenge and review prior to inclusion in the budget.➤ Review of fees and charges and challenge of income assumptions. Workshops to review growth and savings proposals for realism and deliverability➤ Regular update reports to members on the economic environment and national and local challenges facing the Council.
Action Plan		CMT Sponsor: Corporate Director Finance and Resources	
1. To continue the ongoing robust budget monitoring regime and framework.			


G. Recruitment and Retention

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>Failure to recruit and retain sufficient permanent staff to a significant number of posts, including senior managers, leaves services without sufficient and/or sufficiently qualified staff leading to services being impaired and an overreliance on agency/interim staff.</p>	<p>Action continues to be taken to identify 'hard to fill' posts and put in place strategies to address recruitment shortcomings (e.g. Social Workers - Overseas recruitment and new service provided by our managed service provider for agency staff in relation to permanent roles).</p> <p>Ongoing review and implementation of improvements to the recruitment and selection process to improve applicant and candidate experience and reduce the time to fill e.g. changing the requirement for all applicants to undergo a pre-health screening assessment to a risk- based approach.</p> <p>Recruiting also continues via the managed service provider and external recruitment agencies for specialist/hard to recruit to roles.</p>	<p>Previous: I: 3 L: 3 T: 9</p> <p>Current: I: 3 L: 4 T: 12</p> <p>Target: I: 3 L: 2 T: 6</p>	<ul style="list-style-type: none">➤ A range of potential incentives have been implemented, including financial supplements that can be applied to 'hard to fill' posts and the Key Worker housing scheme.➤ A number of new 'grow your own' incentives in Learning and Development have also been implemented, including coaching and mentoring programmes, leadership and development programmes, and expanding the upskilling of apprenticeships.➤ Operationally, the new Oracle recruitment system is now in place which makes it easier for Managers to use, but also provides a better and more user-friendly experience for applicants.➤ A new arrangement has been agreed with LinkedIn to promote Council adverts and vacancies.➤ We have managed service provision for the supply of agency staff to mitigate the risks to services of vacancies while controlling cost and arrangements for approval of off contract spend
Action Plan		CMT Sponsor: Corporate Director Governance	
<ol style="list-style-type: none">1. Carry out further review of effectiveness of LinkedIn in attracting suitable applicants and as a tool to engage with passive jobs.2. Build on success in recruitment in Children's services by adopting the approach of using multiple channels to source applicants (e.g. traditional advertising, temporary to permanent conversion and use of employment agencies through Comensura).3. Carry out further international recruitment campaign for children's services and consider similar for other areas, as appropriate.4. Review controls in respect of agency staff pay rates.			

H. Contract Management

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>There is a risk that due to operational, commercial, environmental or relationship issues, an important, high profile front line service may start to fail causing reputational problems for the council.</p>	<p>The contract management framework has been reviewed, revamped and updated.</p> <p>A New Risk Assessment Tool has also been developed.</p> <p>Internal Audit have reviewed the Contract Management tools and operational performance and provided some recommendations. A paper was taken to CMT to review and agree next steps in December 2022.</p> <p>A Gateway 4 process has been agreed to work with the Directorates to review our commissioning intentions to determine if there are any opportunities through decommissioning, economies of scale or bottom line savings that can be delivered to support council objectives for contracts that require re-procuring for contracts up to Mar 24.</p> <p>There is now a finalised contract register that will be reviewed and updated as new contracts are added.</p> <p>Each Directorate has been provided their extract to review and provide feedback on the accuracy of the detail kept.</p> <p>Reconciliation of the Contracts register and Online register has been undertaken to ensure all the contracts published online are on the Contracts register.</p> <p>Segmentation of contracts has been undertaken from April 1 2022.</p>	<p>Previous:</p> <p>I: 3</p> <p>L: 3</p> <p>T: 9</p> <p>Current:</p> <p>I: 3</p> <p>L: 3</p> <p>T: 9</p> <p>Target:</p> <p>I: 3</p> <p>L: 2</p> <p>T: 6</p>	<p>➤ A contract review template was created and signed off for 'Gateway 3'. This is conducted at the mid-term period of a contract valued above £2m and assesses if suppliers are adhering to the performance KPIs / outcomes set out in the contract and if we should be looking to invoke the extension clauses when they come up.</p> <p>➤ All contracts that require a Gateway 3 will need to be presented at the Commissioning and Procurement Board for comments and agreement.</p> <p>➤ All contracts that require a Gateway 4 will need to be presented at the Commissioning and Procurement Board for comments and agreement.</p> <p>➤ Each Directorate will be sent their extract of the Contracts Register for review and feedback on a quarterly basis for feedback and sign off. This will support the requirement to ensure that all information is being kept relatively up to date.</p>
Action Plan		CMT Sponsor: Corporate Director Governance	
<p>1. Additional work on supplier spend above £500k is to be conducted to reconcile against the Contract register to identify if:</p> <ul style="list-style-type: none">There is a current compliant contract and if not on the register, locate and add to the register.If there is no contract to undertake a procurement process to ensure we are delivering services in a compliant manner. <p>2. Implement actions agreed from the Contract Management Paper taken to CMT in December 2022.</p>			

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 Brent	Audit and Standards Advisory Committee 7 th February 2023
	Report from Corporate Director Finance and Resources
External Audit Appointment for 2023/24 to 2028/29: Outcome	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director of Finance 020 8937 4043 minesh.patel@brent.gov.uk Ben Ainsworth, Head of Finance 020 8937 1731 Benjamin.ainsworth@brent.gov.uk

1.0 Summary

- 1.1. At the January 2022 Audit and Standards Advisory Committee it was proposed to use Public Sector Audit Appointments (PSAA) to appoint an auditor for the council from 2023/24 to 2028/29. This approach was accepted, and subsequently agreed by full council.
- 1.2. PSAA has now concluded its process and announced that Grant Thornton will be the London Borough of Brent's auditor from 2023/24 to 2028/29.

2.0 Recommendation

- 2.1 The committee notes the appointment of Grant Thornton as the council's auditor from 2023/24 to 2028/29.

3.0 Background

- 3.1 Local authority audits have been under considerable pressure for a number of years, this partly reflects challenges in the wider audit sector, and also a number of challenges specific to local authority audit. The council decided that given these challenges the best approach was to appoint PSAA to manage the audit appointment process.

- 3.2 This approach has been successful, and PSAA has announced Grant Thornton will be the council's auditor from 2023/24 to 2028/29.
- 3.3 Sir Tony Redmond reviewed the local authority audit sector on behalf of central government, one of the key issues he identified was that auditor remuneration was insufficient to reflect the work necessary for a high quality audit.
- 3.4 The extent of the problems in local authority audit has if anything been growing, from the audit of the 2019/20 audits less than half of local authority audit opinions were delivered on time, and for the past two years, only about one in ten audit opinions have been published on time.

Year of Account	Publishing Date	Opinions given at the publishing date
2021/22	30 November 2022	12%
2020/21	30 September 2021	9%
2019/20	30 November 2020	45%
2018/19	31 July 2019	57%

- 3.5 PSAA is yet to announce the fees under the new appointment, but it has announced that local authorities should expect a 150% fee increase in 2023/24 from the 2022/23 levels.

4.0 Financial Implications

- 4.1 There are no direct financial implications from noting this report.

5.0 Legal Implications

- 5.1 There are no direct legal implications from noting this report.


6.0 Equality Implications

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

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources

	Audit and Standards Advisory Committee 7 th February 2023
	Report from the Corporate Director Finance and Resources
Evaluating the Effectiveness of the Audit and Standards Advisory Committee	

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:	Two Appendix 1: Interactive Self Assessment of Good Practice Appendix 2: Improvement Tool
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Darren Armstrong Head of Audit and Investigations Darren.Armstrong@Brent.gov.uk 020 8937 1751

1. Purpose of Report

- 1.1 This report sets out the suggested approach and timescales for the Audit and Standards Advisory Committee undertaking a self-assessment to review and measures its effectiveness.

2. Recommendations

- 2.1 The Committee is asked to agree the suggested approach and timescales for undertaking a self-assessment, as set out within section 5 of this report.

3. Background

- 3.1 CIPFA published new guidance for Audit Committees in the Autumn 2022, which replaced the previous guidance dated 2018. The guidance comprises of five main documents:

- Position Statement;
- The Audit Committee Member in a Local Authority;

- Guiding the Audit Committee;
 - Self-assessment of good practice; and
 - A guide for Evaluating the Effectiveness of the Audit Committee
- 3.2 The position statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements that will enable organisations to meet their statutory responsibilities for governance and internal control, financial management and reporting, and internal audit.
- 3.3 To this end, the position statement recommends that the Committee should:
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public; and
 - evaluate its impact and identify areas for improvement.
- 4. Evaluating the Effectiveness of the Committee**
- 4.1 CIPFA's guidance suggests that an audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on the Council's business. It further adds that a good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for delivering effectiveness.
- 4.2 The guidance recommends that when evaluating the effectiveness of the Committee, the following should be considered:
- An assessment of whether the committee is operating in accordance with the practices recommended in this guidance and complies with legislation (where appropriate);
 - How the committee has fulfilled its terms of reference, including the core functions of the committee;
 - The operation of the committee, including the support and training provided and how members have developed their knowledge and experience;
 - The committee's effectiveness in terms of impact on the quality of governance, risk management and internal control, together with satisfactory audit arrangements; and
 - Feedback from those interacting with the committee.
- 4.3 CIPFA provides two documents to assist audit committees in evaluating their effectiveness:
- An interactive self-assessment – which provides a high-level review that incorporates the key principles set out within the CIPFA Position Statement. **See Appendix 1**; and

- An improvement tool, which is to be used for discussion and evaluation of the strengths of the Committee and identifying areas for improvement.
See Appendix 2.

5. Suggested Approach and Next Steps

- 5.1 CIPFA's Position Statement recommends that a regular self-assessment should be used to support the planning of the audit committee work programme and training plans. Alternatively, an independent review can be undertaken.
- 5.2 CIPFA recommends that the results of the assessment should be included within the Committee's annual report.
- 5.3 In order to fulfil the requirements of the CIPFA Position Statement, it is recommended that all Members of the Committee complete both appendices 1 and 2 independently and return these to officers for collating. A report summarising outcomes will then be brought back to the Committee for consideration; and to agree appropriate actions to address any key themes or matters arising.
- 5.4 The suggested next steps and timescales are summarised in the table below:

Next steps	Timescales
1. Officers circulate the self-assessments to all Members of the Committee for completion.	By 10 th February 2023
2. Members to return completed self-assessments to officers.	By 24 th February 2023
3. Initial outcomes of the self-assessment to be reported to the Committee. The Committee to agree actions to address any matters arising.	At the meeting of the Audit and Standards Advisory Committee on 21 st March 2023
4. Final results of the assessment and agreed actions to be included within the Committee's annual report.	At the meeting of the Audit and Standards Advisory Committee in June 2023 (date tbc)

6. Financial Implications

- 6.1 There are no specific financial implications arising from this report.

7. Legal Implications

- 7.1 The Accounts and Audit Regulations 2015 set out the Council's responsibility for ensuring that it has a sound system of internal control and that it keeps the effectiveness of this system under review. The proposed self-assessment by

the committee will help ensure the effectiveness of the committee and its members as part of the council's system of internal control.

8. Equality Implications

8.1 None

9. Any Other Implications (HR, Property, Environmental Sustainability - where necessary)

9.1 None

10. Proposed Consultation with Ward Members and Stakeholders

10.1 None

Report sign off:

Minesh Patel

Corporate Director Finance and Resources

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
Audit committee purpose and governance					
1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
• compliance with the CIPFA Position Statement 2022	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• results of the annual evaluation, development work undertaken and planned improvements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• how it has fulfilled its terms of reference and the key issues escalated in the year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• financial management					
• value for money					
• ethics and standards					
• counter fraud and corruption					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
Membership and support					
13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• A size that is not unwieldy and avoids use of substitutes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Effectiveness of the committee					
20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22 Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23 Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subtotal score					
Total score					
Maximum possible score					200**

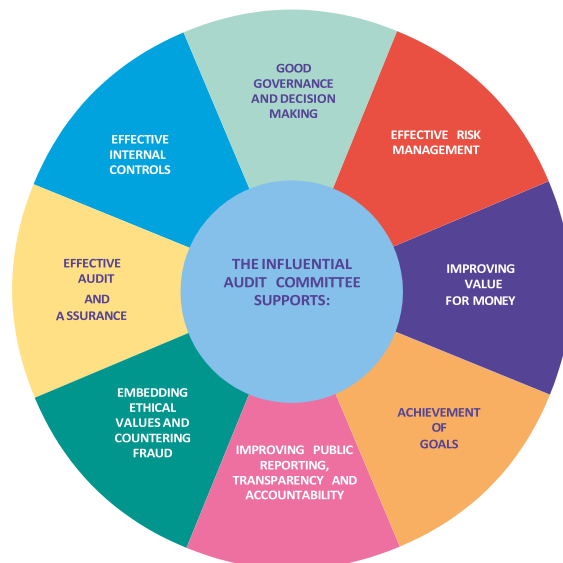
** 40 questions/sub-questions multiplied by five.

Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority's scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm's-length arrangements. The head of internal audit's annual opinion on governance is satisfactory (or similar wording). 	

Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> • Encouraging ownership of the internal control framework by appropriate managers. • Actively monitoring the implementation of recommendations from auditors. • Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> • The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. • Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. • Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> • Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. • Monitoring improvements to risk management. • Reviewing accountability of risk owners for major/strategic risks. 	<ul style="list-style-type: none"> • A robust process for managing risk is evidenced by independent assurance from internal audit or external review.
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> • Reviewing the adequacy of the leadership team's assurance framework. • Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. • Seeking to streamline assurance gathering and reporting. • Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit. 	<ul style="list-style-type: none"> • The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> • Reviewing and supporting external audit arrangements with focus on independence and quality. • Providing good engagement on external audit plans and reports. • Supporting the implementation of audit recommendations. 	<ul style="list-style-type: none"> • The quality of liaison between external audit and the authority is satisfactory. • The auditors deliver in accordance with their audit plan, and any amendments are well explained. • An audit of high quality is delivered.

Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<ul style="list-style-type: none"> • Reviewing the audit charter and functional reporting arrangements. • Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. • Actively supporting the quality assurance and improvement programme of internal audit. 	<ul style="list-style-type: none"> • Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). • The head of internal audit and the organisation operate in accordance with the principles of the CIPFA Statement on the Role of the Head of Internal Audit (2019).
Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory.
Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. 	<ul style="list-style-type: none"> • External audit's assessments of arrangements to support best value are satisfactory.
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.

Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none">• Working with key members/the PCC and chief constable to improve their understanding of the AGS and their contribution to it.• Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.• Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.• Publishing an annual report from the committee.	<ul style="list-style-type: none">• The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.• The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.• The authority has published its financial statements and AGS in accordance with statutory guidelines.• The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.
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OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.

A&SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA						
Topic / Date	07-Jun-22	01-Aug-22	29-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	X
Internal Audit Progress Reports		X		X		
Annual/Interim Counter Fraud Report	X			X		
Internal Audit and Investigations Plan				X		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			X	
External Audit Appointment Report					X	
Annual Auditor's Report			X		X	
Financial Reporting						
Treasury Management Mid-term Report				X		
Treasury Management Strategy				X		
Statement of Accounts		X	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)					X	
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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