



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Tuesday 6 June 2023 at 6.00 pm

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

Independent Advisor: Vineeta Manchanda.

Also present: Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources and Reform) and Julie Byrom (Independent Person – who was attending online)

1. Apologies for absence and clarification of alternate members

Apologies were received from Ciaran McLaughlin (Key Audit Partner, Grant Thornton) and Rachael Tiffen (Independent Co-Opted Member for Standards).

The Chair welcomed Kim Wright, as the new Chief Executive of the Council to the meeting

2. Declarations of Interest

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

3. Deputations (if any)

None.

4. Minutes of the previous meeting

RESOLVED that the minutes of the previous meeting held on Tuesday 21 March 2023 be approved as a correct record.

Members noted the updates provided in relation to items listed on the Action Log along with the further enhancements proposed to support the efficiency and tracking of future actions identified by the Committee.

As a further update, Councillor Chan (Vice Chair) informed the Committee that both he and Councillor Choudry were due to meet with the Deputy Leader to discuss the development of the Financial Inclusion Dashboard and would provide an update to the Committee at the next scheduled meeting on 18 July 2023.

5. Matters arising (if any)

None.

6. Chair's Annual Report

David Ewart, Chair introduced the report that summarised the work of both the Audit & Standards Advisory Committee and the Audit & Standards Committee for the municipal year 2022-23 in line with the requirements and principles as set out within CIPFA's Position Statement regarding Audit Committees. The Committee were advised that as this was the first time the report had been produced for the Committee, any feedback would be welcomed to support the development of future reports.

As there were no Committee comments the Committee RESOLVED to note the contents of the report ahead of the report being presented to Full Council on 10 July 2023.

7. Annual Governance Statement 2022-23

Debra Norman, Corporate Director, Legal and Governance, introduced the report that set out the draft Annual Governance Statement (AGS) for 2022/23 as required by the Accounts and Audit Regulations 2015. In presenting the report the Committee noted:

- The seven core governance principles introduced by CIPFA upon which the review of governance arrangements and production of the AGS had been based, as detailed in section 3.4 of the report.
- That no significant governance issues had been identified relating to 2022/23, however there were some points of improvement detailed in section 3.8 of the report that included improved monitoring, reporting and challenge over "first line "controls and to increase the rate of implementations of "medium risk" audit recommendations.
- The statement had been prepared in accordance with the CIPFA framework and had been subject to review and comment by both internal and external audit.
- The importance of the AGS in outlining the Council's framework of control in relation to its Governance arrangements and in terms of managing risk, the effectiveness of which was subject to ongoing review.

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

- The Committee were pleased to note that there were no significant governance issues identified.
- The Committee welcomed the action plan and noted the value in the comments from senior management, however felt that further enhancements could be made with the addition of timescales where appropriate.
- The Committee were advised that consideration was being given for the Resources & Public Realm Scrutiny Committee to link in with the Audit & Standards Advisory Committee to explore risk management.
- The Committee noted the excellent work undertaken in Treasury Management and felt it would be positive to reflect this in future reports.
- The Committee raised some minor amendments in the report in relation to meeting frequency and the frequency of risk reporting to the Committee.

As there were no further points raised, the Chair thanked Debra Norman for the report provided and it was RESOLVED to recommend the AGS to the Audit & Standards Committee for formal approval, subject to the following minor amendments to the statement:

- (1) Section 4.4.5 to be amended to reflect that the Audit & Standards Advisory Committee had met on 6 rather than 5 times during 2021/22.
- (2) Section 4.4.9 to be amended to reflect that strategic risks had been presented to the Audit & Standards Advisory Committee twice rather than quarterly during 2021/22.

8. **Standards Report (including Gifts & Hospitality)**

Biancia Robinson, Senior Lawyer, Constitutional and Governance, introduced a report updating the Audit and Standards Advisory Committee (ASAC) on gifts and hospitality registered by Members and member training. In considering the report the Committee noted the following:

- The summary of gifts and hospitality which had been registered by members during April – May 2023, as detailed within section 3.3 and Appendix A of the report. In addition to this the Committee were advised that additional Gifts & Hospitality registered by members since the publication of the report for Quarter 1 would be circulated to Committee members following the meeting.
- Full Council had approved the appointment of Rachael Tiffen, new Independent Co-Opted Member for Standards on 17.05.23.
- A further recruitment exercise had commenced to fill the second Independent Co-Opted Member vacant post.
- Refresher mandatory training for all members was currently underway, the Committee would receive an update on the completion of the refresher training at a future Committee meeting.
- As a learning point the Committee were advised of a recent case in another authority regarding a First Tier Tribunal decision in relation to a Freedom of Information Act case. The outcomes and points of interest were detailed in section 3.8 – 3.13 of the report.

The Committee was then invited to ask any questions they had in relation to the update provided. The Committee required clarity in relation to the threshold value that required Members to declare Gifts & Hospitality. The Committee were advised that Members were required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This included a series of gifts and hospitality from the same person that added up to an estimated value of at least £50 in a municipal year. If a Member chose to declare a sum less than £50 they would be allowed to do so, however it would not be a registerable interest and therefore not categorized as a personal interest. The Committee were advised that the Council website would be updated to reflect the Member declaration threshold of £50.

As no further issues were raised the Chair thanked Biancia Robinson for the update provided and it was RESOLVED to note the contents of the report.

9. Statement of Accounts 2022-23 Update

Ravinder Jassar, Deputy Director of Finance introduced a report that provided an update on the progress of the Statement of Accounts for 2022/23.

In considering the report the Committee noted the following key points:

- Despite objections from the Local Government Association the Department for Levelling Up, Housing and Communities (DLUHC) consulted on bringing forward the deadline for the publication of local authority accounts from 31st July to 31st May.
- As a consequence of the delays to the signing off of the Statement of Accounts 21/22, it was not possible for the Council to meet the 31st May 2023 deadline to publish a draft set of accounts. However, it was expected that the draft accounts would be published by 30th June 2023.
- A poll undertaken with other London Boroughs indicated that the issue was widespread, with only one quarter of London Boroughs having published their draft accounts by the deadline of 31 May 2023.

In response to the information heard the Committee required further clarity in relation to the delays to the publication of the draft set of accounts for 22/23. Minesh Patel, Corporate Director for Finance and Resources advised the Committee that it was not an issue exclusive to Brent, as only 8 other London Boroughs had been in a position to submit their accounts. Brent was also in the privileged position that the 21/22 accounts had been signed off as it was noted that only 12% of other London Boroughs had done so. It was highlighted that the Corporate Director for Finance and Resources held the personal responsibility to sign off the draft accounts as a true representation of the Council's financial standing, therefore it was imperative that the process was completed with accuracy to reflect the correct representation of the Council's financial position. The Committee were assured that once available the draft set of accounts would be shared with the Committee.

On behalf of the Committee the Chair extended thanks to Minesh Patel and his team for their hard work in finalising the draft accounts. As no further issues were raised the Committee **RESOLVED** to note the delay to the publication of the draft accounts for 2022/23.

10. Enquiries of Management

Ravinder Jassar, Deputy Director of Finance introduced the report to the Committee that provided the Audit & Standards Advisory Committee with the opportunity to review the responses provided by management to their Enquiries of Management by the council and the pension fund, in order to comply with the expectations of the Financial Reporting Council (FRC). The management responses to the Enquiries of Management were detailed in Appendix 1 (Brent Council Enquiries of Management) and Appendix 2 (Pensions Fund Enquiries of Management).

The Committee noted the following key points:

- The Pension Fund Enquiries of Management were included as the function of the Committee also involved acting as the Audit Committee for the Pension Fund, although investments were managed by the Pensions Sub Committee.
- The key questions asked in the Enquiries of Management were repeated as they set a baseline for auditors to be able to focus in on certain areas as required.
- Following a Committee query regarding whether the reference to the use of “external experts” in the report was due to support being brought in as a result of a lack of capacity within the team, officers confirmed that external experts were brought in to advise on specific areas of expertise and not due to capacity issues.

As no further issues were raised, the Chair thanked Ravinder Jassar for the report and the Committee RESOLVED to note the contents of the Enquiries of Management ahead of them being sent to the external auditors.

11. **Internal Audit Annual Report 22-23**

Darren Armstrong, Head of Audit and Investigations introduced the report which outlined the work undertaken by Internal Audit in respect of delivery of the 2022-23 Internal Audit Plan and included the Head of Audit’s Annual Opinion. Members were advised that the report had been provided in order to offer assurance about the Council’s framework of governance, risk management and internal control.

In considering the report the Committee noted the following key points:

- There had been no threats to the independence and objectivity of the Internal Audit function in relation to the work carried out to deliver the 2022-23 internal audit plan. The Head of Internal Audit (HIA) and all internal auditors continued to receive unrestricted access to senior management, officers and all information and records necessary to undertake their work.
- The internal audit function also received an External Quality Assessment (EQA) during 2022-23, which identified no concerns regarding the independence or objectivity of the function.
- Section 3.0 of the report provided a high level summary of the Audits undertaken to date in 22/23, with some audits ongoing and others cancelled or deferred, in agreement with senior management and auditees where it was felt they were no longer required.
- Risks were categorised as critical, high, medium or low and were responded to in priority order. As no critical risks had been identified it had allowed high risk work to be implemented more quickly, although it was acknowledged and referenced in the audit opinion that this had a cumulative effective on the urgency and implementation of medium term risk audit’s completion and as such was identified as an area that required attention going forward.
- In determining the annual opinion, the HIA had considered which key themes from audit work undertaken in 2022-23 could be enhanced in the future to better support the Council’s governance, risk management and internal control frameworks. These areas of improvement were detailed in Appendix A section 6.15 – 6.21 of the report.

- The HIA was satisfied that the work undertaken by Internal Audit during 2022-23, as well as wider governance arrangements, had enabled an audit opinion to be formed on the Council's control framework, risk management and governance arrangements.

The Committee had a number of follow up questions in relation to the information heard. The following key points were discussed:

- The Committee queried how Internal Audit would respond to the issues highlighted in section 6.21 of the report in relation to expired policies and procedures. In response the Committee were advised that Internal Audit would work with colleagues to ensure that policies and procedures on the intranet were kept up to date and were easily accessible.
- Following a Committee query in relation to the Housing Voids Audit and when KPI's would be agreed, the Committee were updated that following the audit the Housing Management Team had accepted the suggested actions to set and monitor KPI's moving forward, therefore it was felt that positive steps would be made going forwards, an update would be provided at a future Committee meeting to measure the effectiveness of the recommended actions.
- The Committee queried whether officers felt that where there were areas of concern identified following audits, if these issues could be adequately addressed by the action plans recommended. Darren Armstrong, Head of Audit, advised that senior managers were aware of the common themes, particularly with reference to second line functions and were supportive of the agreed action plans. As a result of the management support and robust action plans in place it was felt there were sufficient measures in place to overcome the areas of concerns identified and scope to make significant improvements.
- Following a Committee query as to whether Artificial Intelligence (AI) was perceived as a risk to the Council, the Committee acknowledged that AI was an emerging risk that had not yet been fully explored as yet, however this point would be taken forward and discussed with IT Shared Services in order to assess the potential requirements to undertake a further review of any risks posed to cyber security as a result of the recent advancements in Artificial Intelligence
- Following the information shared in the report that identified a lag in the completion of medium risk audits, the Committee required further clarity on why there was a lag and how this could be overcome in the future. In response the Committee were advised medium term audits had been impacted by the increased focus given to high risk audits. Strong consideration had been given to how to ensure that moving forwards, medium risk audits were given the scrutiny required. This would include revising some timescales and ensuring that realistic achievable target dates were set.
- Darren Armstrong, Head of Audit & Investigation, re-iterated to the Committee the importance of setting a realistic Audit scope, having reminded the Committee that with limited resources it was not possible to audit every risk, however every effort had been made to use resources as effectively and efficiently as possible to maximise the Audit service.

As Members had no further questions, the Chair thanked Darren Armstrong and his team for what the Committee felt was a highly informative report. It was RESOLVED to note the contents of the report.

12. Counter Fraud Annual Report 22-23

Darren Armstrong, Head of Audit & Investigation, introduced the report that summarised the counter fraud activity that had been undertaken in 2022-23. In considering the report the following key issues were noted:

- The summary of numbers and types of internal and external fraud referrals for 2022-23 as detailed within Table A and Table C of the report.
- In terms of Internal Fraud (Table A) the volume and type of referrals was consistent with recent years, and the trend suggested that the service profile and engagement across the Council continued to be effective. Due to the confidential nature of these type of referrals, it was not appropriate to provide further details of the allegations in the report
- Table B provided a specific breakdown of Tenancy and Social Housing Fraud. A total of 20 fraudulent housing cases were identified in 22/23, with the average value of each recovered tenancy at approximately £93,000 per property, therefore the notional value of the 20 cases totalled £1,860,000.
- External Fraud referrals laid out in Table C of the report confirmed 224 new referrals for 22/23 with Blue Badge fraud allegations making up 68% of new referrals.
- The broad range of proactive counter fraud activity for 2022/23 was summarised in Table D of the report. Work included NFI data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews.
- As part of the Council's membership to FraudHub the Council received access to another application called AppCheck, that was currently being tested by the Counter Fraud team in liaison with appropriate teams within the Council to pilot its use and monitor its effectiveness.
- Table E of the report provided a summary of the notional and actual savings made to the Council as a result of the Fraud work undertaken,
- The notional and actual savings identified as a result of counter fraud activity were summarised in Table E of the report, which (in addition to the preventative work being undertaken) it was also felt demonstrated the positive impact the Counter Fraud Team was having across the council in relation to the protection of the public purse.
- The robust nature of both reactive and proactive counter fraud activity.
- Increased referrals were expected as a consequence of the current economic environment and Cost of Living crisis.

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

- In response to a Committee question in relation to the use of AppCheck as a tool to support identifying fraud, the Committee were advised that the app enabled departments to check and verify applications across a number of databases, it was noted that this would be particularly useful to the Housing Team.

- In response to a Committee query in relation to sourcing additional tools to identify and inter link fraud, It was confirmed that the functions available as part of FraudHub were in the process of being rolled out across the Council, the Committee were advised of the option of an advanced version that would offer additional freedoms to more licensed data matching both internally and other boroughs.
- Noting the increased referrals regarding Blue Badge Fraud, the Committee queried when updates to the Blue Badge system would be implemented to make Blue Badges less vulnerable to fraud. In response the Committee were advised that the Fraud Team were in regular contact with the Parking Team to identify hot spots and were assured that when progress was made nationally with combatting Blue Badge Fraud via the introduction of a revised Blue Badge Scheme that the Council would be keen to adopt any advancements to limit this type of fraud. The Committee were advised that their comments would be shared with the Parking team and that officers would continue to raise the issue via the London Counter Fraud Hub and working groups.

As the Committee had no further queries, the Chair thanked Darren Armstrong and his team for their hard work and gains made in Brent's Counter Fraud Activity and it was RESOLVED to note the report.

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

In providing a verbal update to the Committee, Sheena Phillips, Senior Audit Manager, Grant Thornton, advised the Committee that Brent had fared well against many other local authorities given that the 21/22 accounts had been signed off. In terms of the 22/23 accounts the Committee were advised that as Grant Thornton were increasing their capacity, it was anticipated that there would be no delays in signing off the 22/23 accounts, however it was noted that this was dependant on the draft accounts being received by July 2023 to avoid getting caught in a backlog.

In response to the information heard the Committee queried what actions could be taken if the external auditors did not complete the 22/23 sign off in the expected timeline, despite the Council submitting their draft accounts on time. The Chair clarified that the Council did not have a direct contract with Grant Thornton as the external auditors as this power was delegated to the Public Sector Audit Appointments (PSAA). However, if the Committee were dissatisfied with the service received, contact could be made with the PSAA who had a Quality Management Team who would be able to review the progress accordingly.

The Chair advised that he would be attending a meeting together with the Vice Chair, Councillor Chan and Ciaran McLaughlin, Key Audit Partner to fully address a detailed audit scope in relation to the 22/23 accounts.

The Chair thanked Sheena Phillips for the update and the Committee RESOLVED to note the update.

14. **Forward Plan & Committee Work Programme**

It was AGREED to note the Committee's Forward Plan and work programme for 2023-24, the Committee noted there would be further amendments to reflect the delayed Statement of Accounts and Treasury Management Outturn report.

15. **Any other urgent business**

None.

The meeting closed at 7:20pm.

David Ewart
Chair