



Audit and Standards Advisory Committee

Tuesday 6 June 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)
S Butt
Choudry
Kabir
Long
J.Patel
Smith

Councillors:

Afzal, Agha, Begum, Gbajumo, Molloy and Shah

Councillors:
Kansagra and Mistry

Independent Co-Opted Members

Rachael Tiffen

Independent Advisor

Vineeta Manchanda

For further information contact: Natalie Connor, Governance Officer
Tel: 020 8937 1506; Email: Natalie.Connor@brent.gov.uk

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit: www.brent.gov.uk/committees

Notes for Members - Declarations of Interest:

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

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

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

***Disclosable Pecuniary Interests:**

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

****Personal Interests:**

The business relates to or affects:

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

or

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

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

Agenda

Introductions, if appropriate.

| Item | Page |
|---|---------|
| 1 Apologies for absence and clarification of alternate members | |
| 2 Declarations of Interest | |
| Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate. | |
| 3 Deputations (if any) | |
| To hear any deputations received from members of the public in accordance with Standing Order 67. | |
| 4 Minutes of the previous meeting | 1 - 20 |
| To approve the minutes of the previous meeting held on Tuesday 21 March 2023 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. | |
| 6 Chair's Annual Report | 21 - 26 |
| This report summarises the work of both the Audit & Standards Advisory Committee and the Audit & Standards Committee for the municipal year 2022-23 and seeks to meet the requirements and principles as set out within CIPFA's Position Statement regarding Audit Committees ('Practical Guidance for Local Authorities and Police). | |
| 7 Annual Governance Statement 2022-23 | 27 - 52 |
| This report sets out the draft Annual Governance Statement (AGS) for 2022/23 as required by the Accounts and Audit Regulations 2015. The AGS is being presented to the Audit & Standards Advisory Committee for consideration, prior to formal approval by the Audit and Standards | |

Standards Items

- 8 Standards Report (including Gifts & Hospitality) 53 - 58**

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

Finance Items

- 9 Statement of Accounts 2022-23 Update 59 - 62**

To receive an update on the Council's Draft Annual Statement of Accounts 2022-23.

(Agenda re-published on 1 June 2023 to include the accompanying report)

- 10 Enquiries of Management 63 - 122**

To receive a report from the Corporate Director of Finance and Resources to review the responses provided by management to their Enquiries of Management by the council and the pension fund. This is in order to meet the expectations of the Financial Reporting Council (FRC).

(Agenda re-published on 1 June 2023 to include the accompanying report and appendices)

Audit Items

- 11 Internal Audit Annual Report 22-23 123 - 162**

This report outlines the work undertaken by Internal Audit in respect of delivery of the 2022-23 Internal Audit Plan and also includes the Head of Internal Audit's annual opinion on the Council's system of internal control.

- 12 Counter Fraud Annual Report 22-23 163 - 172**

This report sets out a summary of the counter fraud activity undertaken in 2022-23.

- 13 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.

14 Forward Plan & Committee Work Programme

173 - 174

To review and note the Committee's work programme for 2023-24.

15 Any other urgent business

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

Date of the next meeting: Tuesday 18 July 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 Tuesday 21 March 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 for lateness were received from Councillor Smith.

2. **Declarations of Interest**

David Ewart (Chair) declared the following personal interests:

- as a member of CIPFA; and
- relating to Agenda Item 12 (I4B Holdings Ltd & First Wave Housing (FWH) Ltd performance and External Audit Findings) given that he had previously worked with Martin Smith (Chair of i4B Holdings Ltd and First Wave Housing (FWH) Ltd).

Councillor S. Butt declared a personal interest in Agenda Item 12 (I4B Holdings Ltd & First Wave Housing (FWH) Ltd performance and External Audit Findings) as a Council appointed Director on the Board of both i4B Holding Ltd and FWH Ltd.

3. **Deputations (if any)**

None received.

4. **Minutes of the previous meeting**

RESOLVED that the minutes of the previous meeting held on Tuesday 7 February 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 in June 2023.

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

None.

6. **Annual Standards Report (including Gifts & Hospitality)**

Debra Norman, Corporate Director of Governance, introduced a report updating the Audit and Standards Advisory Committee (ASAC) on Member conduct issues and the work of the Audit and Standards Advisory Committee, the Audit and Standards Committee (ASC) and the Monitoring Officer during 2022, together with the quarterly report on gifts and hospitality registered by Members. The Committee noted the following key points:

- Whilst both Independent co-opted Members had stood down from the Committee during 2022-23, a recruitment exercise had now been undertaken which members were advised had resulted in the provisional appointment of Rachael Tiffen to one of the positions, subject to Full Council approval with a further recruitment exercise planned to fill the second vacant post.
- In addition to approval being sought for the appointment of Rachael Tiffen as Independent Co-opted Member (Standards Focused), Full Council would also be asked to confirm the ongoing appointment of the three existing Independent Persons – William Goh, Keir Hopley and Julie Byrom for the duration of their remaining terms of office.
- During 2022, 4 complaints were received against different Councillors for alleged breaches of the Members Code of Conduct, with a summary provided within Appendix A of the report. Members were advised that three of these complaints had been resolved at initial Assessment Stage and one concluded at Assessment Stage. None of the complaints had been upheld.
- The details of Gifts and Hospitality registered by members in the final quarter of 2022/23 (Jan – March 23) as detailed in section 3.11 of the report.
- Two Monitoring Officer Advice Notes (MOANs) had been issued to date during 2023 addressing respect and equalities and use of resources.
- The update provided in relation to member attendance at mandatory training sessions, with the Committee advised that all mandatory training had now been completed by members.

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

7. **Review of the Member Development Programme and Members' Expenses**

Natalie Zara, Head of Executive & Member Services introduced a report that provided members with a summary of the Member Learning and Development (MLD) Programme since the last report to Committee in March 2022, and information regarding the Members' Expenses Scheme as well as an overview of upcoming Member Learning and Development sessions.

In considering the report the Committee noted:

- The role of the Member Learning and Development Steering Group in providing constructive input to shape and evaluate development of the Member Learning & Development programme.
- Whilst most Member and Learning Development sessions continued to be delivered online as the preferred method of learning and development identified by members, the benefits and effectiveness of in person face to face training had also been recognised, particularly in providing useful networking and team-bonding opportunities. These would continue to be offered and developed as part of the planning of future training opportunities.
- The offer of individual Personal Development Plan (PDP) sessions to all members to support identification of individual training needs and assist in shaping future training programmes. Details of the offer provided were set out in section 8 of the report with 31 out of 57 members having taken the opportunity for a PDP. A summary of the key priorities identified as a result were detailed within Appendix C of the report with the core attributes identified for development focussed around leadership areas.
- The update provided in relation to Members Allowances and expense claims, as detailed within section 9 and Appendix D of the report. Members were advised that most expense claims related to training, with the small underspend on the Member Learning & Development budget attributed to the increased delivery of internal training and level of attendance at external training events not having returned to pre pandemic levels.
- The ongoing development of the future Member & Learning Development Programme, as detailed in Appendix A of the report along with feedback on the current programme as detailed within Appendix B of the report.

The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- In response to Member queries in relation to training accessibility and effectiveness, the Committee were advised that there was an awareness of when additional support to access training may be necessary. In terms of the effectiveness of training, members were advised this was subject to regular review with the feedback having been used to help shape development of the ongoing programme. As additional suggestions the Committee highlighted a need to consider how member attendance and engagement in online sessions was monitored, including cameras being left on with the need also recognised to ensure sessions were fully utilised in terms of available space to ensure they remained as cost effective as possible.
- Following a Committee query regarding the future development of the core mandatory training offer to Members, the Committee were assured that data acquired from the PDP results would be used to inform future training and address any knowledge/skills gaps identified.
- Further clarification was requested on reference to the “Health Committee” in Appendix D of the report under Member expenses, with details also sought on use of personal devices by members to access online training. In response, Natalie Zara, Head of Executive & Member Services confirmed that she would provide a response outside of the meeting on the reference to the Health Committee and also to confirm the protocol for Councillor’s using personal devices to access Learning & Development sessions (as detailed in the Action Log).

As no further issues were raised, the Chair thanked Natalie Zara for the update provided and the progress made in the Member Development Programme. The Committee **RESOLVED to**

- (1) Note the work being undertaken by the Member Learning & Development Steering Group to ensure effective training and development for Brents elected representatives (as detailed in Appendix A of the report).
- (2) Note the feedback on Members Services, training, and their relationship with departments across Brent (as detailed in Appendix B of the report)
- (3) Note the positive feedback from outside organisations on Brents MLD (as detailed in Appendix C of the report)
- (4) Note the expenses claimed by Members in the course of their work (as detailed in Appendix D of the report)

8. **Review the Role and Operation of the Constitution Working Group**

Debra Norman, Corporate Director of Governance introduced a report providing details of a further review undertaken following the local election in May 2022 on the role and operation of the Constitutional Working Group (CWG). It was noted that the review had been requested in response to a recommendation made by the Resources and Public Realm Scrutiny Committee and followed on from an initial review reported to the Committee in September 2021. In presenting the report the following key points were highlighted:

- The Committee were reminded that the CWG was not a committee of the Council and was an officer/member working group chaired by the Chief Executive that met ahead of Full Council meetings to discuss and seek cross party views on any potential changes to the constitution, for recommendation on to Full Council.
- Following the initial review, the main change identified had been for meeting invitations to be extended to the Chairs of relevant bodies where issues affecting their remits were due to be considered by CWG, which had now been implemented.
- In response to the request to undertake a further review after the local elections in May 2022, CWG had subsequently met and agreed to adopt the revised Membership and Terms of Reference as set out in Appendix 1 of the report. These reflected that there were now 3 political groups on the Council with the remit of CWG also clarified in relation to the discussion of items other than the Constitution going to Full Council, e.g., the municipal calendar. Having reviewed its remit, no further changes had been identified as a result of the review.

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 link between the CWG and the Audit & Standards Advisory Committee. In response members were advised that the Audit and Standards Advisory Committee had been identified as the appropriate body to consider any issues referred by CWG where it had not been possible to reach a view, prior to the item being referred

to Full Council. In response to a further question raised regarding how items discussed at CWG were fed back to the respective Groups, the Committee were advised that it would be for the representatives on CWG to feedback to their respective Groups on items due to be considered and their outcome.

As there were no further questions on the report, the Chair thanked Debra Norman for the update and the Committee **RESOLVED** to note the contents of the report.

9. **Review the Financial and Procedural Rule governing the Mayor's Charity Appeal**

Biancia Robinson, Senior Constitutional & Governance Lawyer introduced a report updating the Audit & Standards Advisory Committee on a recent review of the financial and procedural rules for governing the Mayor's Charity Appeal.

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

- The Financial and Procedural Rules governing the Mayor's Charity Appeal were last put before the Audit & Standards Advisory Committee in November 2021. At that time the Rules were updated to ensure transparency and reflect financial regulations.
- To ensure the Rules remained transparent and accurate, periodic reviews were undertaken. Following the most recent review, minor modifications have been proposed that reflected the organisational change of officers involved in the management and approval process of the Mayor's Charity Appeal (as detailed in Appendix A of the report). Given the nature of the proposed changes it was confirmed that their adoption could be agreed under delegated powers with it noted that moving forward the review would be incorporated as part of the annual Member Development Programme and Member Expense Review.

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

- The Committee queried whether there was a public record kept of donations made to the current and previous Mayor charities and whether the Mayors Charity bank account was a paper based or online account. In response, members were advised that records were kept of donations to the Mayors Charity with details to be provided outside of the meeting (through the Action Log) as to whether Mayor's Charity bank account was operated as an online or paper account. Officers advised they would also investigate the establishment of an online historical record of organisations supported through the current and previous Mayor's Charity Fund.

As no further issues were raised the Committee **RESOLVED** to note the contents of the report and the financial and procedural management of the Mayor's Charity Appeal as set out in Appendix A of the report.

10. **Brent Council Statement of Accounts 2021 - 22 and LB Brent Audit Findings Report 2021/22**

At the suggestion of the Chair, members agreed that Agenda Item 10 (Brent Council Statement of Accounts 2021-22) and Agenda Item 11 (LB Brent Findings Report 2021-22) would be considered together.

As further context the Chair advised that since the accounts had initially been presented to Committee in September and December 2022, further guidance had now been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) providing a temporary solution nationally for the accounting of infrastructure assets. Brent had subsequently updated its Statement of Accounts to comply with the accounting requirement with final sign off now subject to completion of the External Audit process.

The Chair then invited Ben Ainsworth, Head of Finance to provide a further update, with clarification provided that Grant Thornton (External Auditors) were nearing completion on the audit of the final Statement of Accounts, pending further minor revisions as detailed in the accompanying Audit Findings report. These had arisen as a result of an additional review of the Statement of Accounts undertaken by Grant Thornton (as External Auditors). Members were, however, advised that whilst some further adjustments had been required to the Statement of Accounts as a result, none of these had significantly impacted on the anticipated outcome of the audit or medium term financial position of the Council with the result still expected to be an unqualified audit opinion being issued. It was also highlighted that although taking longer than previously advised, Brent were in a good position in terms of their accounts sign off both now and historically when compared with other London boroughs, as illustrated in paragraph 3.4 of the report.

The Chair then welcomed Ciaran McLaughlin, Key Audit Partner, Grant Thornton, who was invited to provide an update on progress with completion of the external audit relating to the Statement of Accounts and the updates to the Audit Findings report. The Committee were provided with the following update:

- The extended sign off process for the Statement of Accounts had been as a result of the accounts being selected for a “hot review”. This involved further review of the accounts by the technical team within Grant Thornton, with any issues identified as a result needing to be addressed prior to final sign-off and completion of the audit process.
- As a result of the additional review two further recommendations had been identified within the Action Plan included within Appendix A of the Audit Findings report, on which Management responses had been provided, with the audit findings adjusted accordingly but no material impact on the overall audit opinion. Confirmation was also provided that the changes identified did not impact upon Brent’s medium term financial plans.
- Grant Thornton recognised the inconvenience as a result of the additional time taken to complete the audit of the Statement of Accounts however it was highlighted that the thorough process added a further layer of assurance in Brent’s compliance with the code and financial reporting requirements.

The Chair thanked Ben Ainsworth and Ciaran McLaughlin for presenting the updates before inviting Committee members to ask any questions or points of clarity they had on the information heard. The following points were discussed:

- Although the Committee acknowledged the thorough process undertaken to finalise the Statement of Accounts, concerns were expressed that the delays created as a result had not been reflected in terms of adjustments made to the timeline for the completion of the audit process. This prompted the Committee to query when the accounts would be ready for final sign off and if an audit scope could be provided for the process in future financial years in order to support realistic expectations of the expected deadlines for completion of the Statement of Accounts. Ciaran McLaughlin recognised the concerns expressed and extended apologies on behalf of Grant Thornton for the length of time taken to complete the audit process. In doing so however, he also reiterated that the level of regulatory review was necessary to ensure compliance. It was confirmed that the aim was for the audit and accounts to be authorised for sign off by the end of the month, however this was dependant on the final approval of the technical team performing the additional review.
- In relation to the concerns highlighted about the delay in being able to sign off the final Statement of Accounts and the impact on the work programme for the Committee during the year, members were reassured that the duration of time taken to finalise the accounts this year had been unusual and it was anticipated the process would return to a more normal timescale in future years.
- The Committee required clarity as to whether the two new recommendations identified as a result of the hot review (as detailed on page 188 of the agenda pack) required any substantial attention from the Committee. In response, the Committee were reassured that the medium rated recommendations were not high level concerns with the auditors satisfied that the management responses provided had adequately addressed the issues raised.
- The Committee acknowledged the knock-on effect which the delay in completing the sign off process on the 2021-22 Statement of Accounts had had on the Finance Team and ongoing impact in relation to the 2022-23 accounts. The Committee took the opportunity to thank Minesh Patel, Corporate Director of Finance & Resources and his team for their resilience and hard work in managing an increased workload as a result of the delays and extended review.
- The Committee queried if additional time would be factored into future timescales in respect of hot reviews taking place every two years. In response the Committee were advised that additional time to account for hot reviews would be written into future audit scopes to support appropriate expectations and planning.
- The Committee questioned why issues that had been picked up from earlier accounts had not been identified previously and whether this was indicative of the hot review process changing from previous years. In response the Committee were advised that the hot review process had not changed however the individuals undertaking the reviews had been different with a general increase in the level of testing required year on year. The Committee heard that to avoid any discrepancies being overlooked engagement leads were rotated to support an appropriate level of review from a fresh perspective.
- The Committee requested that if in future Statement of Accounts needed to be repeatedly brought back to the Committee that any amendments or changes recommended in the Audit Findings report (from previous versions provided)

should be made clear with colour coding, which would be included for reference within the Committee's Action Log.

As there were no further questions from the Committee, the Chair took the opportunity to thank all officers and auditors involved for their efforts in supporting completion of the audit process to enable final sign off for the Statement of Accounts to be progressed.

Having considered both reports the Committee **RESOLVED** to –

- (1) Note the updated version of Grant Thornton's Audit Findings Report for Brent along including the two additional recommendations and management responses provided within the Action included as Appendix A
- (2) To note the Audit Adjustments detailed within Appendix C of the Audit Findings Report, on which it was confirmed no further changes or approvals were required to the Statement of Accounts.
- (3) Given the further delay in completion of the External Audit process enabling formal sign off on the Statement of Accounts the Audit & Standards Advisory Committee seek to reconfirm the original delegation provided for the Chair of Audit & Standards Committee to sign off the finalised accounts. It was therefore **AGREED** to refer the following recommendation to the Audit & Standards Committee:

“On the basis of the discussion and comments made at the Audit and Standards Advisory Committee that the Audit and Standards Committee reconfirm the original delegation provided authorising the Chair of the Audit and Standards Committee to sign the final Letter of Representation and Statement of Accounts, subject to a written assurance being provided that all outstanding matters and adjustments contained in the Audit Findings report had been made. If there were any material adjustments required as a result of the final Audit Findings report being issued, these would be reported back to the next committee and also sent to the Chair of the Audit and Standards Advisory Committee and the Independent Advisor to the Committee”.

11. **Review of the Performance & Management of i4B Holdings Ltd and First Wave Housing Ltd**

The Chair advised that the updates on both i4B Holdings Ltd and First Wave Housing Ltd (included as Agenda Items 11.1 and 11.2 on the agenda) would be taken together. He then welcomed Martin Smith, Chair i4B Holdings Ltd and FWH Ltd to the meeting and invited him to introduce both reports.

In introducing the item Martin Smith advised that both reports provided the Committee with an update on i4B Holdings Ltd and FWH Ltd.'s recent performance, 2023/24 business plan and risk register, with the following issues noted by the Committee:

- Both companies were financially secure, with i4B recently demonstrating a positive financial return, the Committee was advised that financial forecasting suggested that this would be likely to continue in the foreseeable future.
- The context in which the 2023-24 Business Plan had been developed along with the progress made against the objectives within the 2022-23 Business Plan and key strategic priorities for 2023-24.
- In terms of operational performance, the main issues continued to be void turnaround times and (in relation to i4B) rent collection, with ongoing strategies in place to address both issues.
- Risks continued to be regularly reviewed with the biggest strategic development since the last Committee recognised as the challenging external economic environment in which both companies were having to operate which had seen high inflation and a sharp increase in interest rates. This had posed issues in relation to the i4B Business Model relating to the purchase of street properties. In response to the economic challenges, members were advised of the measures taken to secure available finance at preferential interest rates, as part of i4B's Development Strategy. Additionally, the decision had been taken to temporarily suspend the i4B street property acquisition programme until market conditions had stabilised.
- The Business Plan for i4B and FWH Ltd had both been approved by Cabinet on 13 March 2023 with the strategic priorities identified remaining focused around increasing the supply of affordable housing in the borough; running a viable business; delivering safe and sustainable homes; and providing a consistently good housing service in support of the Council's wider Housing Strategy. Members were advised these also included, as specific priorities, an approach designed to deliver accessible adapted accommodation as well as meet current environmental and decarbonisation requirements and standards, given the additional costs relating to environmental efficiency works. In working towards these objectives, the Committee was advised of the current focus within the i4B Business Plan towards the acquisition of new build block properties utilising the funding available pending any decision to re-enter the street property market.

Having considered the reports, the Chair invited Committee members to ask any questions or points of clarity they may have, with the following points of discussion summarised below:

- In response to concerns identified regarding the performance on voids and rent collections, Darren Armstrong (Head of Audit and Investigations) advised of the recent completion of an internal audit undertaken with Brent Housing Management (BHM) in relation to voids management, on which a follow up was scheduled for Quarter 1 2023-24, with an update due to be provided to the Committee as part of the Annual Internal Audit Report in June 2023 to advise of the summary outcomes and recommendations.
- The Committee welcomed the actions listed in section 5.1.2 of the i4B Performance report that provided an overview of the measures being taken by BHM to improve voids and re-letting performance but were keen to understand the reasons for the current performance. In response, the Committee were advised that there was no one clear reason, it was a combination of issues mainly around process that needed to be addressed to

support a reduction in voids and re-letting times. As a result of concerns expressed at the ongoing performance in this area, members were advised of the regular review mechanisms now in place with the actions identified felt to be reasonable and proportionate in their design and overall impact in seeking to monitor and address ongoing turnaround performance issues and their causes..

- An additional factor that had been identified in terms of performance on voids was an external issue that extended beyond Brent, in relation to the supply of material and trade and labour to undertake the necessary maintenance and repair to allow properties to be in a suitable condition for re-letting.
- In response to the detail provided on the financial performance of both companies, further assurance was sought by the Committee regarding the financial viability of both companies. In response, the Committee were advised that both companies were financially secure. Despite the ambiguity of the external economic climate and the potentially large expenditure in relation to the decarbonisation of properties, financial forecasting had indicated the mitigating actions being taken to address these challenges would ensure the operation of both companies would remain viable.
- The Committee queried if there were plans to increase housing opportunities for residents with more complex needs such as large families, families with household members with disabilities and residents seeking refuge from domestic abuse. Whilst the housing of those residents suffering domestic abuse was provided through a separate arrangement and not a function for either i4B or FWH addressing supply issues in relation to large families and disabled residents had been recognised as a priority and had been included within the Business Plan to purchase new builds that were more adaptable to meet the needs of these groups.
- In response to a query regarding the timescales and plans to progress the retro fitting of properties to support Brent's climate ambition the Committee were advised that pilot work and stock energy efficiency surveys had been undertaken to ascertain the likely costs of retro fitting properties to relevant standards. As a result, it was envisaged that a more detailed position would be available by the end of 2023 - 24 on the financial impact, and an action plan could be formulated accordingly including any necessary updates to the company Risk Registers
- It was confirmed that Service Level Agreement's (SLA's) were regularly reviewed and the i4b and FWH Boards felt that a fair package was in place for both the companies and Council.
- In relation to the decarbonisation of properties in properties not owned by i4B or FWH, the Committee were reassured that finances had been set aside for the retrofitting and decarbonisation programme of works, however, this would also involve, where necessary, full consultation with leaseholders in relation to the costs of any works.
- Following concerns highlighted in relation to the effectiveness of the current housing repairs service, the Committee were advised of the alternative options being considered linked to the upcoming renewal of the existing housing repairs contract with Wates.
- Referring to the risk identified in relation to i4B and the impact of poor data quality on asset management systems and effective monitoring of compliance with health and safety standards the Committee were assured that Health and Safety compliance continued to be a high priority for the

Board, particularly in relation to concerns highlighted around mould issues. In recognising the mitigating actions identified to support further improvements moving forward, the Committee noted that BHM had implemented a whole system review of compliance arrangements. The Committee were assured that Health and Safety compliance would continue to be identified as high risk on the Risk Register until the newly introduced system was in use and confirmed to be operating successfully at which stage consideration would be given to reducing the overall level of risk. Members also noted that part of the operational challenges in managing health and safety compliance was in gaining access to third party owned properties to carry out checks.

- In response to a Committee query in relation to the financial modelling used to forecast i4B/FWH cashflow, including the risks and variability assumptions used to stress test the model, the Committee were advised that the stress test looked at factors including costs around the decarbonisation of properties, the challenging economic environment including inflationary cost pressures, the likely increase in tenant arrears and the changes in governance to local housing. After exploring the impacts of these points individually and collectively it had been established that FWH could withstand significant variation in the impact of these factors on their financial viability. Whilst the impact of these factors would be greater on i4B it was felt that the company remained in a financially sustainable position with additional mitigations available should the position in relation to its viability alter, including the option to dispose of stock, if necessary.
- The Committee required clarity on how the loans drawn down to reinvest as part of the company Business Plans had been utilised. The Committee were advised that £23m had been borrowed by i4B prior to the interest rates rising rapidly in 2022. It was clarified that approx. £20m was available and ready to spend, however this money would not be used to support business cashflow but would be deployed at the right time in line with positive economic peaks to purchase more affordable housing, with a preference that the housing purchased would support groups with the greatest housing needs as previously discussed, in line with the agreed Business Plan.

As no further issues were raised the Chair thanked Martin Smith for attending the meeting in order to present both the i4B Holding Ltd and FWH Ltd reports and it was **RESOLVED** to note the performance update reports provided in relation to both i4B Holding Ltd and FWH Ltd and continued focus required on the key risks and performance issues identified.

12. **Internal Audit Investigations Plan**

Darren Armstrong, Head of Audit & Investigations introduced a report which set out the draft Internal Audit Strategic Plan, and the Counter Fraud Plan for 2023-24.

In firstly considering the Internal Audit Strategic Plan the Committee noted:

- The Internal Audit Strategic Plan had been formulated to address the statutory requirements and key risks for the Council in line with the available resources within the Internal Audit service.
- The plan had been prepared in consultation with senior management via Departmental Management teams and Senior Leadership teams to gain a

greater understanding of the Councils strategies, key objectives, and associated risks.

- Additionally, Internal Audit had also (in developing the Plan) undertaken a risk assessment exercise and reviewed departmental risk registers and the Council's Strategic Risk Register in order to identify key risks that could impact on the achievement of the Council's objectives.
- Whilst the Plan, recognising the extent of resources available, had been focussed on those areas identified with the highest levels of required assurance an element of flexibility had been maintained to ensure a responsive approach could be provided in relation to managing any emerging risks or supporting services undergoing significant levels of change and in need of advice in relation to control measures.
- The Committee's attention was drawn to Appendix 1 of the report that included further details on the Internal Audit Plan including a strategic risk assurance map aligned to the Council's identified strategic and key inherent risks, available resources and mitigating actions identified.

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

- The Committee thanked Darren Armstrong and his team for what they felt was a highly informative and clear report.
- It was noted that the planned Climate Change Audit had been pushed back to Quarter 3 within the Plan and the Committee queried if this could be brought forward given the increasing focus on activity in this area and planned scrutiny review. In response the Committee were advised that officers would explore if the internal audit on Climate Change & Sustainability could be brought forward within the Internal Audit Plan 2023-24 from Quarter 3.
- In response to a Committee query regarding the range of audits identified in relation to the housing function and performance of BHM, the Committee were advised that a great deal of work had been undertaken in terms of the operational performance of BHM, particularly in terms of void turnaround and repairs. The Committee were reassured that this work would continue to evolve as a rolling programme of assurance and to support further improvements. It was noted that as well as building on and responding to emerging risks in housing, the Internal Audit team were able to provide ongoing consultancy support and advice to BHM.

As there were no further issues raised in relation to Internal Audit Strategic Plan the Chair then invited Darren Armstrong to update the Committee on the Counter Fraud Plan for 23-24.

The Committee noted the following key points:

- Fraud remained an inherent risk for the Council, due to the unpredictable nature of fraud it was more challenging to predict where resources would need to be deployed on the Counter Fraud Plan
- The Counter Fraud Team's operational approach required both reactive and proactive work. It was noted that reactive work largely consisted of referrals internally, from the Housing department or external fraud types, whereas

proactive activity was generated from within the service in response to a wide range of fraud risks.

- The Committee's attention was drawn to Appendix 2 of the report detailing the Counter Fraud Plan for 2023-24 and deployment of resources based on types of fraud to be investigated and the approaches in managing specific risks.

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

- In response to a query regarding the current resourcing of the Counter Fraud Team were, the Committee were advised that the team were at full capacity and carried no vacancies, with the team able to access all the areas of expertise they needed to undertake their work successfully. It was however noted that the demand for internal audit work was likely to increase parallel to the increased risk the Council faced. Therefore, the team were aware of the need to work as effectively and efficiently as possible to cover the key areas of risk.

As no further issues were raised, the Chair thanked Darren Armstrong and his team on behalf of the Committee for their hard work on both the Internal Audit and Counter Fraud plans. The Committee **RESOLVED** to approve the draft Internal Audit Strategic Plan and Counter Fraud Plan for 2023-24.

13. **Review the use of Regulation of Investigatory Powers (RIPA) Act 2000**

Biancia Robinson, Senior Constitutional & Governance Lawyer introduced a report that detailed the Council's use and conduct of surveillance techniques in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000 in compliance with the annual review obligations set out in Brent Council's RIPA policy and procedures.

In considering the report the Committee noted:

- The Regulation of Investigatory Powers Act 2000 (RIPA) gave the Council significant powers in order to investigate serious matters and offences, enabling the Council to use covert surveillance, covert human intelligence sources (CHIS) and to acquire service user or subscriber information in relation to communications data.
- The Council was periodically inspected by the Investigatory Powers Commissioner's Office (IPCO). Brent's last inspection was in March 2020 and members were advised that no concerns or recommendations had been identified as a result of the inspection, with Brent due another inspection around 2023/24.
- In November 2022 further changes were made to RIPA powers when Sections 37-44 of the Police, Crime Sentencing and Courts Act (PCSA) 2022 came into force with a further power to extract (Communications) Data. Consequently Section 7 of the RIPA Policy and Procedures had been amended to reflect the PCSA changes (as seen in Appendix A of the report). Further amendments had also been required to reflect changes in officer titles as a result of the Council's recent senior management restructure.

- The decline in use of RIPA over recent years, with zero RIPA Directed Surveillance or Covert Human Intelligence Source (CHIS) authorisations in Brent during 2022-23 and two request for Communications Data, as detailed within section 3 of the report. Members were advised that the predominant use of RIPA was now focussed on the enforcement of trading standards controls and in the context of serious fraud investigations.

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

- The Committee queried how Brent fared comparatively against other boroughs in terms of the use of RIPA powers. In response, the Committee were advised that the decline in use of RIPA powers was consistent across most local authorities with its use therefore comparatively equal amongst other local authorities.
- In response to a Committee query regarding the thresholds to decide on making an application to use RIPA, it was confirmed that thresholds were high (hence the low number of RIPA authorisations sought). Significant prior intelligence was needed to successfully support an application to the magistrates to use RIPA.
- Officers advised that RIPA only referred to covert surveillance, the deployment of mobile CCTV would not be considered under RIPA.

As there were no further comments raised the Chair thanked Bianca Robinson for the update and the Committee **RESOLVED**

- (1) To note the contents of the reports.
- (2) To note the changes to the RIPA policies in relation to further powers to extract data from a mobile device, pursuant to Police Crime Sentencing and Courts 2022.
- (3) To note that the updated policies and procedures on RIPA were due to be approved by Cabinet on 17 April 2023.

14. **Evaluating the Effectiveness of the Committee - Survey Outcomes**

Darren Armstrong, Head of Internal Audit & Investigations, introduced a report that detailed the outcome of the recent self-assessment exercise completed by members of the Audit & Standards Advisory designed to evaluate the Committee's effectiveness in response to CIPFA's guidance around self assessment and evaluation for Audit Committees. .

The Committee noted the following key points:

- The summary outcomes of the self-assessment process, as detailed in section 4 and Appendix 1 of the report. Overall, the results had indicated that members felt the Committee was fulfilling its duties across all areas within the CIPFA guidance.
- Whilst some minor improvements had been identified to further enhance the effectiveness of the Committee, these had been reflected within an. Action

- Plan developed (as detailed within Appendix 2 of the report) to include suggested actions to respond to the lowest scoring areas evidenced from the assessment.
- In addition to the actions identified within the Action Plan, the Committee's Terms of Reference were also subject to review in order to further clarify and make explicit the Committee's responsibilities, to better reflect the CIPFA 2022 Position Statement.

Following the summary provided the Committee sought further assurance on the resources available to support implementation and monitor delivery of the Action Plan and also sought details on targeted training available for Committee members. In response, it was confirmed that no specific financial implications had been identified in relation to supporting delivery of the Action Plan. In terms of the additional training opportunities for Committee members, officers confirmed they would explore what training was available linked to the CIPFA guidance as an action to take forward and provide a response to the Committee as part of the Action Log in advance of the next Committee meeting.

In closing the discussion on the item, the Chair thanked Darren Armstrong for his work on the self-assessment process and the Committee **RESOLVED** to

- (1) Note the outcomes of the self assessment exercise.
- (2) Agree the suggested actions as detailed within Appendix 2 of the report, to address the areas for improvement that had been identified.

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

The Chair invited Ciaran McLaughlin, Key Audit Partner, Grant Thornton, to update the Committee on the progress in delivering the audit of the 2022-23 Statement of Accounts over the next financial year.

Ciaran McLaughlin confirmed that an audit scope plan and timetable for the 2022-23 Statement of Accounts and Pension Fund audit was in the process of being finalised, pending final sign off the 2021 - 22 accounts. The Committee requested advance sight of the audit scope and timetable as soon as possible.

16. **Review the Committee's Forward Plan**

Given this was the final meeting of the 2022-23 Municipal Year the Committee noted the current work programme with the Chair advising that an updated Forward Plan and work programme was in the process of being developed for the 2023-24 Municipal Year which would come in to effect from the next meeting in June 2023.

As part of the development of the 2023-24 and future work programmes members requested that future planning consider the management of each agenda to allow Members to focus on providing an appropriate level of challenge on the substantive items included for consideration at each meeting. The Chair agreed that it was important to recognise the issue raised in relation to the effectiveness of the Committee and that efforts would be made to accommodate this request where possible. It was highlighted that the use of the Forward Plan was designed to evenly spread items across the year to support manageable Committee agendas

and that the last few meetings had been unique in terms of the Statement of Accounts being a repeated item, as it would usually only be presented to the Committee on one occasion.

17. **Any Other Urgent Business**

In view of her upcoming retirement the Chair closed the meeting by extending his gratitude on behalf of the Committee to Chief Executive, Carolyn Downs for her support during her time at Brent, with all members of the Committee wishing her well for the future.

The meeting closed at 7:41 pm

David Ewart
Chair

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

| Meeting Date | Agenda No. | Item | Actions | Lead Officer and Timescale | Progress |
|--------------|------------|---|--|---|---|
| 21 Mar 2023 | 4 | Minutes of the previous meeting and Action Log | The Committee were advised that following a previous Committee request for an update on the Financial Inclusion Dashboard Councillor Chan (Vice Chair) and Councillor Choudry would be meeting with the Deputy Leader to discuss the development of the Financial Inclusion Dashboard and would provide an update to the Committee in June 2023. | Councillor Chan/Councillor Choudry by June 2023 | In progress |
| | 7 | Review of the Member Development Programme and Members' Expenses | The Committee requested clarification in relation to the reference made to the "Health Committee" in Appendix D of the report under member expenses and confirmation of the protocol for Councillors using personal devices. | Natalie Zara by June 2023 | Completed – to be removed from the next action log. |
| | 9 | Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal | (1) Bianca Robinson, Senior Constitutional Lawyer to confirm for Committee if the Mayor's Charity bank account was operated as an online or paper account. (2) Natalie Zara Natalie Zara, Head of Executive & Member Services, to investigate the establishment of an online historical record of organisations supported through the current and previous Mayor's Charity Fund. | Natalie Zara/Bianca Robinson by June 2023 | Completed – to be removed from the next action log |
| | 10 | Brent Council Statement of Accounts 2021/22 | The Committee RESOLVED to recommend that the current authorisation delegating authority to the Chair of the Audit & Standards Committee to approve and sign the final Letter of Representation and Statement of accounts be reconfirmed, with sign off being subject to a written assurance that all outstanding matters | Councillor Chan | Completed- to be removed from the next action log. |

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


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| | | | and adjustments contained in the audit findings report had been made. If there were any material adjustments required following the latest audit findings report, these would be brought back to the next committee for sign off and also sent to the Chair of the Audit & Standards Advisory Committee and Independent Advisor to the Committee.” | | |
| | 11 | LB Brent Audit Findings Reports 2021/22 | Grant Thornton to ensure that any amendments or changes recommended in the Audit Findings report (from previous versions provided) should be clearly detailed e.g. colour coded. | Ciaran Mclaughlin/Sheena Phillips | Ongoing |
| | 13 | Internal Audit Investigation Plan | Darren Armstrong, Head of Audit & Investigations to explore if the internal audit on Climate Change & Sustainability could be brought forward within the Internal Audit Plan 2023-24 from Quarter 3 | Darren Armstrong June 2023 | In progress |
| | 15 | Evaluating the Effectiveness of the Committee – Survey Outcomes | Darren Armstrong to provide details of further training options available to Members linked with CIPFA’s guidance. | Darren Armstrong June 2023 | In progress |
| | 16 | External Audit Progress Report and Sector Update | Grant Thornton to provide an audit scope plan and timetable for the 22-23 Statement of Accounts and Pension Fund audit as soon as possible. | Ciaran Mclaughlin/Sheen Phillips | In progress |
| | | Review the Committee’s Forward Plan | Future planning to consider the management of agenda items to allow Members to focus on providing an appropriate level of challenge on the substantive items (Minesh Patel, Darren Armstrong, Debra Norman, Chair & Vice-Chair) | Minesh Patel/Debra Norman/Darren Armstrong/David Ewart (Chair) and Councillor Chan (Vice Chair) | In progress |
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London Borough of Brent
Audit & Standards Advisory Committee – Action Log

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|------------|-----|--|--|--|---|
| 7 Feb 2023 | 5 | Matters Arising | The Committee requested an update at a future meeting on the Financial Dashboard Presentation. | Councillor Chan/Councillor Choudry | Ongoing |
| | 11 | Auditor's Annual Report on the London Borough of Brent | The Committee accepted the External Auditor's recommendation to ensure timely implementation of the CIPFA Financial Management code requirements and would receive regular updates. | Minesh Patel | Ongoing |
| | 12 | Strategic Risk Register Update | Further details to be sought from the Managing Director of Shared Services on the guidance available regarding cyber security. The Committee requested that an additional visual chart to show the comparative trends in strategic risks over time is provided in the next Strategic Risk Register to support the Committee in understanding the risks over a longer time period. | Minesh Patel/Fabio Negro Darren Armstrong | In progress In progress |
| | 14 | Evaluating the Reflectiveness of the Committee | The Committee requested signposting to additional training resources to enhance their knowledge. | Darren Armstrong | In progress |
| | | | | | |
| 7 Dec 2022 | 5 | Matters Arising | The Committee requested an update at a future meeting on the Financial Dashboard Presentation. | Councillor Chan/Councillor Choudry | Ongoing |
| | 11. | Forward Plan | To include a (as recommended by CIPFA) the opportunity to the Committee to undertake a self-assessment on a future agenda. | The Audit & Standards Committee have now completed the self assessment and agreed an action plan moving forward. | Completed – to be removed from the next published action log. |
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London Borough of Brent
Audit & Standards Advisory Committee – Action Log

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|-------------|-----|--|--|--|---------|
| 29 Sep 2022 | 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. | The Audit & Standards Advisory Committee | Ongoing |
| | | | | | |
| 1 Aug 2022 | 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. | Sadie East/Peter Gadsdon | Ongoing |
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|  | <p align="center">Audit and Standards Advisory Committee 6 June 2023</p> |
| | <p align="center">Report from the Corporate Director of Finance and Resources</p> |
| <p align="center">Annual Report of the Chairs of the Audit and Standards Committee and Audit and Standards Advisory Committee</p> | |

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| 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: | None |
| Background Papers: | None |
| Contact Officer(s): <small>(Name, Title, Contact Details)</small> | Minesh Patel, Director of Finance and Resources 020 8937 4043 minesh.patel@brent.gov.uk |

1. Purpose of Report

- 1.1 This is the first annual report of the Audit and Standards (A&S), and the Audit and Standards Advisory (A&SA) Committees.
- 1.2 This report seeks to meet the requirements and principles as set out within CIPFA's Position Statement regarding Audit Committees ('Practical Guidance for Local Authorities and Police).
- 1.3 This report covers the work of the two Committees for the municipal year 2022-23. This was the first year of the revised membership, following the May 2022 elections.

2. Recommendation

- 2.1. The Committee is asked to note the contents of the report, ahead of this being presented to Full Council on 10 July 2023.

3. Introduction

- 3.1 The Audit and Standards Advisory Committee met six times within the municipal year, and the Audit and Standards Committee meet three times. During the year the Committees covered a large amount of work, often with very short notice.

Much of the work of the Committees has highlighted the high – if often well-managed – level of risk being faced by the Council.

3.2 The importance of the work of the Committees has been growing as the details of the failures of governance and financial control at other authorities has become clear.

3.3 The degree of oversight of the Council's governance arrangements is also increasing.

4. Overview

4.1 2022/23 has been a very active and interesting year, and one which is difficult to summarise; however, the key points that have come through from the matters consider by the Committees are as follows:

a. Brent is in a good position with regard to financial sustainability, with a relatively good level of reserves, and bringing in expenditure within budget. As well as having the audit of its accounts signed off by the end of the financial year. However a number of issues are appearing which may lead to future problems:

- i. Due to the pressures on Council services the level of expenditure has and is likely to continue to rise above the base line; and
- ii. As pointed out in the Auditor's annual report, the level of external debt and hence the interest payments are due to the level of capital expenditure rising, which may be becoming an issue with rising interest rates.

b. In terms of Governance, Brent also has sound arrangements as confirmed by both the External Auditor's Value for Money report and Head of internal Auditor's report. However, there are a number of areas requiring attention particularly:

- i. The need to address the 'second line' of defence (i.e. the monitoring and reporting of information and data, by management, in respect of the effectiveness of the 'first line' of defence);
- ii. The need to address the fact that policies and procedures are sometimes absent or outdated, and as such, roles and responsibilities are not always clearly defined and outlined.
- iii. The need to keep under review the governance arrangements for subsidiary companies; and
- iv. The need to strengthen the oversight of contract management.

c. The need for the committee to continue to review and improve its own performance, and work with officers and other member bodies to further

improve the Council's risk management and allocation of work between the different bodies.

5. Standards Matters

- 5.1 Although not covered by the CIPFA Statement, this is one of the Committees' key roles, and one which is taken very seriously.
- 5.2 During the year the Committees considered a number Standards issues including Complaints against Members (none upheld in 2022), oversight of Gifts and Hospitality, as well as Member Training and attendance.
- 5.3 A key belief of the Chairs is that in order to avoid the troubles some other authorities have encountered, it is necessary to keep on top of not only the financial resilience and governance arrangements of the authority, but the Standards arrangements.

6. Audit Matters

- 6.1 The Audit and Standards Advisory Committee has continued to be well served by the Internal Audit and Investigation staff and have on top regular updates on the progress of the 47 risk based audits planned to be undertaken during 2022/23. As well as the work on investigation of frauds and irregular activities being undertaken by Investigation staff, the Committee was pleased to note the proactive work being undertaken. As well as these updates the Committees considered the following:
 - a. In June, the Head of Internal Audit's Annual Report for 2021/22 which concluded that "The adequacy and effectiveness of the overall arrangements for the Council's systems of internal control, risk management and governance are adequate, with some improvement required." However, in addition the following observations were noted:
 - i. Where gaps in control were identified, these were often in relation to the 'second line' of defence (i.e. the monitoring and reporting of information and data, by management, in respect of the effectiveness of the 'first line' of defence).
 - ii. In a number of instances, we noted that policies and procedures were often absent or outdated, and as such, roles and responsibilities were not always clearly defined and outlined.
 - iii. These concerns require to be considered and acting on.
 - b. A report outlining the results of the Internal Audit External Quality Assessment, which had been completed by Head of Internal Audit of the London Borough of Barnet. This is a key part of the Public Sector Audit Standards and gives an independent level of assurance to the Council about the quality of the Internal Audit Function. The A&SA Committee was pleased to see that the highest rating, Generally Conforms, had been giving to Brent's Internal Audit Service.

- c. The Draft Internal Audit and Strategic Plan and Counter Fraud Plan for 2023/24, set out:
 - i. The use of internal audit resources.
 - ii. The proposed 35 audits which are all linked back to the Council's strategic and inherent risks, as well as the plan to complete the three year review of all the key financial systems.
 - iii. The Annual Counter Fraud Plan, highlighting the increased fraud risk facing the Council and the way the Council will combat this.
- d. The A&SA Committee continued to receive updates on the work of the Council's external auditors Grant Thornton (the audit of the 2021/22 accounts is considered in the Accounts section below). The key item considered was the Annual Value for Money report, which gave an independent review of the state of the Council's governance. The report was also considered at the February Council meeting. The report was positive, with the overall finding being for all three areas reviewed being: "No significant weaknesses in arrangements identified, but improvement recommendations made." This was the same as for 2020/21. However, the report contained a number of recommendations which were required to be implemented.
- e. The Committees also considered report on the appointment by Public Sector Audit Appointments of the Council external Auditors (as the Council has opted, like almost every other authority, to be part of the sector lead appointment process) for the five years from 31 March 2024. It was noted both that the new appointment will result in an increase in the general fee levels of about 150% and that Grant Thornton had been re-appointed to Brent.

7. Regulatory Framework

- 7.1 The Committees continued to oversee a number of areas concerning the regulatory framework, including reviewing the role and operation of the Constitution Working Group, the use of RIPA powers by the Council and a small but important review of the Financial and Procedural Rules governing the Mayor's Charity Appeal.
- 7.2 More significantly the Audit and Standards Advisory Committee has been deeply involved in the work of improving the Council's risk management structure, and the strategic Risk Management process. There have been major improvements in the strategic process which is now clearly linked to the Council's priorities. However, concerns remain over the risk management at departmental level, and the Chairs have been talking with the Chairs of the Scrutiny Committees over how to improve oversight of this area which is one where the roles overlap.

- 7.3 The Committees also reviews the Annual Governance Statement, which is an important document as it set out the views of the Council's leadership and senior management on the state of the Council's governances.
- 7.4 An area which has taken up a lot of the Audit and Standards Advisory Committee's time was the oversight of i4B and First Wave Housing. Although very important work, it is again one where there is an overlapping of responsibilities between Audit and Scrutiny, as a number of areas considered by the Committee (such as void levels) could well be better considered by Scrutiny.
- 7.5 The Audit and Standards Advisory Committee also considered a number of reports most of which were also considered by Full Council on the Council's Treasury Management. The very detailed reports show the clear and careful planning and execution of the Council's Capital and Treasurer Management. However, the Committee did raise concerns about the level of borrowing being planned by the Council, particularly in view of the rise in interest rates, and although there is nothing to suggest this will be an immediate problem, it is something the Council should keep under review.

8. Statement of Accounts

- 8.1 The oversight of the Council's accounts is one of the key functions of both Committees. Brent has a proud record of having its accounts fully audited and signed off by the statutory publication date, which for the 2021/22 account was 30 November 2022. However, although the accounts were ready and the audit almost complete by that date, a combination of issues – external (national) and internal (to the external auditors) – resulted in the accounts not being signed off until the 31 March 2023. Although this still places the Council in a better position than most authorities – it has been reported that 74% of accounts were still outstanding at that date.
- 8.2 Members will be aware of the serious issue of the major problems concerning local authority audit, with only 12% of accounts signed off by the publication date for 2021/22, compared with 57% for 2018/19 (which was an earlier date of 31 July 2019). The A&SA Committee will be carefully monitoring the situation for the 2022/23 accounts. It should also be noted that the late completion of the 2021/22 audit will make the achievement of the 2022/23 timetable more difficult.

9. Review of the effectiveness of the Committees

- 9.1 The two Committees have been required to consider a large number of issues over the last year with the result that some agendas have been packed and some members feeling they are overloaded.
- 9.2 To help overcome this and generally improve the performance of the Committees a self-assessment has been undertaken, with an improvement plan and training being considered.

10. Conclusion

10.1 We should like to thank the members of the two Committees, the Independent Advisor, and the former Independent Co-opted Members (Standards focused) and Independent Persons for all their support and assistants.

10.2 We should also like to express our gratitude to all the Council officers who have so diligently supported the Committees. These include particularly the Governance Officers who have supported us, the Head of Audit and Investigation and staff of that department, and the officers from the Finance and Legal Services.

11. Financial Implications

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

12. Legal Implications

12.1 The report is for noting and there are no direct legal implications

13. Equality Implications

13.1 None


13. Consultation with Ward Members and Stakeholders

13.1 None

Report sign off:

Minesh Patel,

Corporate Director Finance and Resources

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|  | <p align="center">Audit and Standards Advisory Committee 6 June 2023</p> |
| | <p align="center">Report from Corporate Director, Governance</p> |
| <p align="center">Annual Governance Statement 2022/23</p> | |

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|---|---|
| Wards Affected: | All |
| Key or Non-Key Decision: | Not Applicable |
| Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small> | Open |
| No. of Appendices: | Two Appendix 1 - Annual Governance Statement Appendix 2 - Local Code of Corporate Governance |
| Background Papers: | None |
| Contact Officer(s): <small>(Name, Title, Contact Details)</small> | Debra Norman, Corporate Director, Governance 020 8937 1578 Debra.Norman@brent.gov.uk |

1.0 Purpose of the Report

- 1.1 This report sets out the draft Annual Governance Statement (AGS) for 2022/23 as required by the Accounts and Audit Regulations 2015.

2.0 Recommendation

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

3.0 Detail

- 3.1 The council is required to prepare an Annual Governance Statement

and have it approved by the relevant Committee. The statement must be signed prior to the signing of the accounts. The statement must be signed by the Chief Executive and Leader of the Council.

- 3.2 CIPFA produced a refreshed framework document in 2016 setting out how local authorities could comply with the requirements to conduct a review and produce the Annual Governance Statement.
- 3.3 The guidance determines that the Annual Governance Statement should “provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of governance structures involved. It should be high level, strategic and written in an open and readable style.”
- 3.4 The seven core governance principles, applicable from 2016/17, are as follows:
 - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - B. Ensuring openness and comprehensive stakeholder engagement;
 - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it;
 - F. Managing risks and performance through robust internal control and strong public financial management, and
 - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 3.5 The review of effectiveness is an ongoing process involving officers responsible for key elements of the governance framework as well as members of the Corporate Governance Group, who throughout the year have oversight of governance related issues.
- 3.6 A Code of Corporate Governance adopted by the Council is included in the Constitution and a copy is contained in Appendix 2.

The final part of the statement covers significant governance issues relating to 2022/23.

- 3.7 The following factors should be considered in determining significant issues:
 - The issue has seriously prejudiced or prevented the achievement of a principal objective:

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

3.8 While no significant governance issues have been identified for this reporting year, there are some improvement actions planned arising from it. These are set out in the table below.

| Improvement Action | Owner |
|--|--|
| Implementation of the ASAC effectiveness action plan. | Corporate Director of Finance and Resources and Head of Internal Audit |
| Further work to embed succession planning and leadership development. | Head of Human Resources |
| Putting in place a new MTFS and long term planning process which will cover the whole period of an administration's Borough Plan and beyond. | Corporate Director of Finance and Resources |
| Improving the monitoring, reporting and challenge over 'first line' controls. | Corporate Directors, with support from Internal Audit |
| Increasing the rate of implementation of 'medium risk' audit recommendations. | Corporate Directors, with support from Internal Audit |

4.0 Financial Implications

4.1 None

5.0 Legal Implications

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

6.0 Equality Implications

6.1 None

7.0 Consultation with Ward Members and Stakeholders

7.1 None

Report sign off:

Debra Norman,
Corporate Director of Governance

Brent Council Annual Governance Statement 2022/23

1. **Scope of Responsibility**

1.1 Brent Council ('The Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council is responsible for ensuring that there is a sound system of governance (incorporating the system of internal control). This includes group activities.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The statement is included in the annual review of the Constitution undertaken each year by the Corporate Director of Governance. A copy of the Council's code is contained in Part 5 of the Council's Constitution and can be found on our website:

<https://data.brent.gov.uk/dataset/2jgp6/constitution-brent-council>

1.4 This statement explains how the Council has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1b), which requires all relevant bodies to prepare an annual governance statement. To ensure all statutory requirements have been met the statement has been produced in accordance with the CIPFA Delivering Good Governance Framework 2016.

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

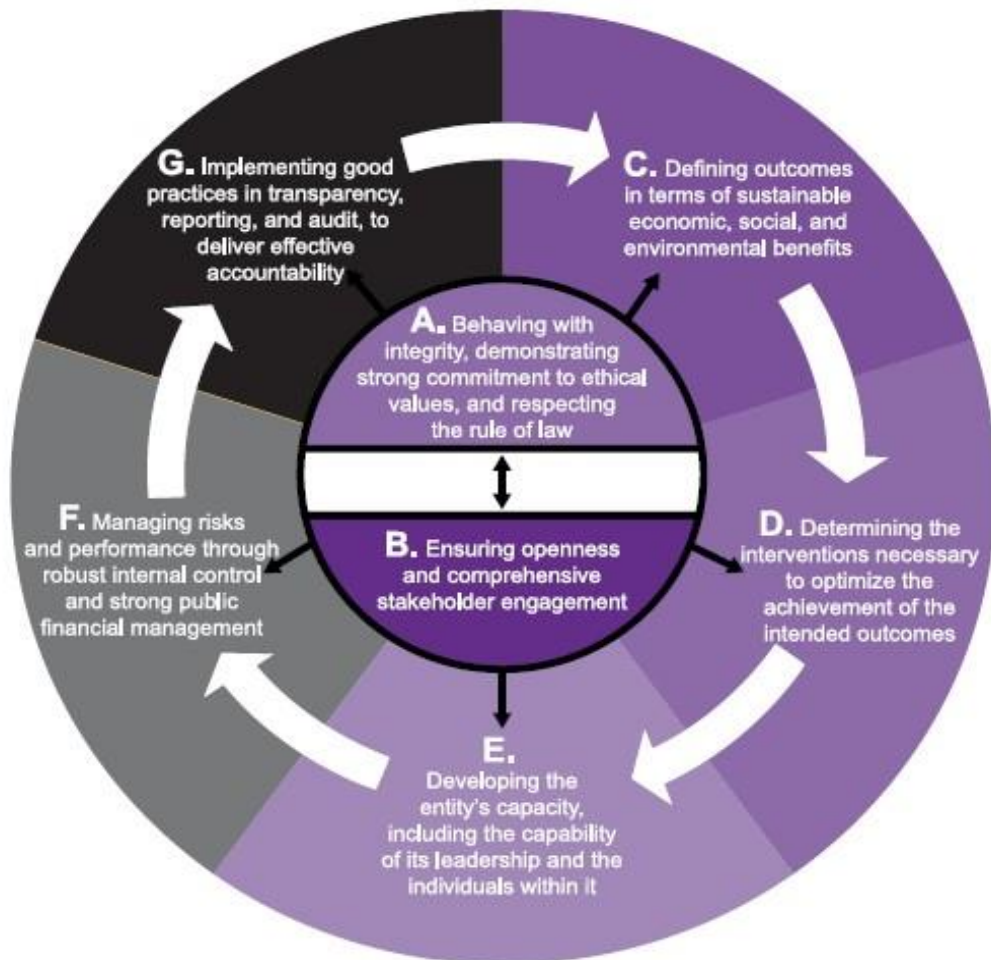
2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives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

2.2 The governance framework has been in place for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

3. **The Governance Framework**

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

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



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

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

3.3.2 The Constitution is regularly reviewed and was last updated in February 2023. The Constitution sets out the responsibilities of both members and officers. In particular, the Council has identified the following six statutory Chief Officer posts:

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

| | | |
|---|--|--|
| S5 Local Government and Housing Act 1989 | Monitoring Officer | Corporate Director of Governance |
| S18 Children Act 2004 | Director of Children's Services | Corporate Director Children and Young People |
| S6 Local Authority Social Services Act 1972 | Director of Adult Social Services | Director Adult Services |
| Health and Director of Public Health Social Care Act 2012 | Health and Director of Public Health Social Care | Director of Public Health |

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

3.4 Principle B: Ensuring openness and comprehensive stakeholder engagement

- 3.4.1 The Strategy and Partnerships service area is responsible for supporting statutory local partnership arrangements (Health and Wellbeing Board, Integrated Care Partnership Board, (ICP) Safeguarding Adults Board, Multi Agency Safeguarding Children Partnership and Children's Trust). As a result of the 2022 Health and Care Act, the team now supports the ICP Board, which feeds into the Health and Wellbeing Board. The ICP Board covers services for all ages, and its priorities have been developed through engagement across the system, including the voluntary and community sector, and are signed off by the Health and Wellbeing Board. The team also supports some non-statutory partnerships such as a new model of collaboration adopted to work with the

voluntary and community sector through a network of Thematic Leads across the borough. The Strategic Partnerships team co-ordinates a broad range of collaborative activities, which stem from the Council's engagement with local public, private, voluntary sector organisations and faith groups. The Council incorporates good governance arrangements in respect of partnerships and other joint working and ensures that they are reflected across the council's overall governance structures.

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

3.4.3 Regard to equality, diversity and human rights duties is embedded in the budget setting and business planning process, and templates for each require that officers and members take into consideration in an appropriate manner the equality and diversity impacts of proposed decisions. The Council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management. The council adopted a Black Community Action Plan in July 2020 in response to the recent heightened concerns and to address the inequalities that our black communities continue to face. The aims of the plan, which the local community helped us to create, include building sustainable communities, with Black leaders playing a role in decision-making, developing community spaces, that members of the community will run and manage, and conducting an internal review of processes in the council. The plan is on our website:

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

An annual report on progress is planned for Council in June

3.4.4 Consultation and engagement with residents, stakeholders and the wider community are integral to the Council's decision-making approach and processes, ensuring that a wide and diverse range of views are heard. A range of methods and techniques are utilised including the Council's Consultation Portal (Citizenlab), quarterly Brent Connects public forum and a series of 'Time to Talk' events, as well as participation in engagements led by the voluntary sector. A resident attitude survey is undertaken every 4 or 5 years. The most recent was undertaken in late 2021 and analysis of the findings is now complete. The findings are being used as an evidence base for updating and developing key strategies, policy and decisions.

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

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

3.5.1 The Council's previous Borough Plan (2019 – 2023) focused on Building a Better Brent which centred around making Brent a borough of culture, empathy and shared prosperity. In March 2023, the Council adopted a new Borough Plan for the period of 2023 to 2027 agreed by the Cabinet and Full Council. This document includes the corporate objectives of the Council and our shared partnerships priorities with other public agencies. Key performance indicators which relate to the targets in the plan are monitored on a quarterly and annual basis and reported to the Council Management

Team (CMT) and the Cabinet. The Borough Plan references other key relevant documents, such as the Community Engagement Framework and the Digital Strategy.

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

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

- 3.6.1 The Borough Plan is focused on Moving Brent Forward Together. It sets out the Council's vision for 2027, which emphasises how we will work with others to support people through the cost-of-living crisis, realise our climate change ambitions and harness our diverse range of communities. It is monitored through quarterly Performance Reports which includes our progress against the key performance indicators that drive our activity across the organisation and team plans.

- 3.6.2 The vision sets out how the Council will build on the successes achieved to-date while creating better outcomes for those residents with complex circumstances and remaining flexible to provide support to residents, partners, businesses and communities in response to the cost of living crisis. The plan highlights the need to concentrate resources on the things that matter the most, use resources in the most effective way and work better with partners to realise collective ambitions for Brent. Borough Plan priorities are aligned to both the demographic and economic needs profile of the borough and the findings from the community engagement activities. A programme of activity is in place to support delivery of this vision with reports on progress provided regularly to CMT and elected Councillors.

- 3.6.3 The Cabinet consider risks as part of their decision-making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects.

- 3.6.4 The Council's Risk Management Policy and Strategy sets out the general framework for the identification, assessment and management of risks across the Council. It also clearly sets out the roles and responsibilities of key stakeholders. Risk management is a key element of the Council's governance framework and is aligned to the Council's corporate objectives and priorities to help ensure that these and resulting outcomes are achieved. All members and officers have responsibility and a role to play in managing risks. The Council's Strategic Risk Register is reviewed and updated biannually and records the risks that are considered by senior management to be of impact and/or likelihood of materialising and which may have an adverse effect on the achievement of the Council's corporate objectives.

- 3.6.5 The Council has the community engagement framework at its heart enabling us to build trust and understanding with our communities, to create more opportunities to empower residents and to improve the quality and consistency of community engagement practice. The framework enables the council to understand the complex nature of our communities - created flexible models for engagement, acting as a mechanism to create clear outcomes through procreation and position residents to lead design and make decisions.

- 3.6.6 The framework details for all staff:

- The standards and values of engagement we offer to residents

- guidance on using different methods and techniques
- An internal online resource available to staff
- Best practice advice will be available from the central team
- Collation of existing 'User Voices' to inform council work

3.6.7 The framework provides a toolkit for service areas to enable bespoke development of approaches. These include:

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

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

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

3.6.8. In preparing its Borough Plan, the Council adopts several approaches to ensure the Plan captures as many voices as possible from the vast range of communities across Brent. To establish the new Borough Plan, the Council contacted over 13,500 people and received direct responses from around 1000 residents and partners. This was achieved through the following forms of consultation and engagement:

- Workshops and focus groups with specific communities and groups
- Drop-in session in Brent libraries that were open to everyone
- Dedicated events with partners
- A Borough Plan Survey but the Council also used findings from other surveys such as the Residents Attitude Survey
- Forward Together which are corporate sessions for all staff

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

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

3.7.2 All councillors have completed the mandatory training since their election in May 2022.

3.7.3 We have a comprehensive e-learning offer for knowledge, skills and personal development and various internal training courses. Key initiatives for the next year include a further Middle Manager Development programme cohort, further work to embed succession planning and leadership development. There is a corporate induction programme in place for staff, which is a combination of e-learning and face-to-face activities. Key information and policies are highlighted to new staff and managers and

held on the intranet. Regular communication through annual roadshow events and other channels are maintained to advise staff of new learning opportunities. Additionally, our bi-annual 'Forward Together' events, provide an opportunity for staff to come together to engage with issues and opportunities facing the Council as a whole and to understand how their work fits with Council priorities

- 3.7.4 Departments also design and deliver development programmes specific to their individual needs. For example, in ASC&H, development exists on three levels. Staff take part in the corporate training and development programme, including mandatory courses. There is also a ASC&H development programme, which focuses on career development, offering mentoring to staff at all levels; and improving collaborative working through 'Making Every Contact Counts' training programme available to all teams , and 'Leadership for Making Every Contact Counts' a leadership programme for first line managers. Finally, in individual services they have developed Skills Academies to prioritise and deliver service-specific professional training.
- 3.7.5 The Council has a comprehensive Succession Planning and Leadership programme to develop middle managers and identify those staff who have the potential to attain senior posts. In addition as part of the Black Community Action Plan a series of internal programmes have been developed to ensure those BAME staff have the opportunity play an active role in shaping Council policy.
- 3.7.6 In December 2021 the Cabinet agreed an investment of £9.3M in its Digital Strategy – 2022 to 2026. The Digital Strategy underpins the Borough Plan supporting the Council and the people of Brent to be digitally confident. From delivering an innovative customer platform where residents can interact with the council to better using data to drive improvements to services, the Digital strategy is ensuring the council remains at the cutting edge of technology and how it's used. In addition, an investment of £4.2M is helping to tackle digital exclusion through a support fund for businesses and the provision of devices for digitally excluded households in Brent..

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

- 3.8.1 Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet model of decision making. Although some decisions are reserved for Full Council, most are made by the Cabinet or by Committees, sub-Committees or officers. In September 2018, individual member decision-making was introduced in a limited number of areas, supported by a governance process similar to that for Cabinet decisions. Cabinet members received a briefing about their new responsibilities and the related processes. The new process has worked well and further powers were delegated by the Leader to Individual Cabinet Members from April 2021.
- 3.8.2 All forthcoming Key decisions by Cabinet, Cabinet Members, Cabinet Committees or officers are published in the Council's Forward plan published every month on the Council's website.
- 3.8.3 Reports and minutes of meetings are also published on the Council's website and are available through the Libraries. This includes urgent decisions, which are reported to the next formal meeting of Council.
- 3.8.4 The Council has an Audit and Standards Advisory Committee which usually meets at least six times during the year, with clear terms of reference and an annual work programme for internal audit, investigations and risk management. The Committee has an independent chair, two co-opted (independent) members in relation to member conduct standards issues and an independent adviser to help ensure it is effective in

performing its duties.

- 3.8.5 In order to enhance the effectiveness of the Committee, it was re-constituted as an advisory Committee for most of its activities. This has enabled the independent Members to be equal voting members of the Committee.
- 3.8.6 The Council maintains an Internal Audit service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit reports to the council's Section 151 Officer and has direct access to the Chief Executive, the Monitoring Officer, the Chair of the Audit Committee and the Chair of the Audit and Standards Advisory Committee. The Audit and Investigations functions play an important role in helping the organisation deliver its strategic objectives by objectively assessing the adequacy of governance and the management of risks; and providing an objective and evidence based opinion on governance, risk management and internal control.
- 3.8.7 The Council's Strategic Risk Register is reported to DMTs (Department Management Teams), CMT and the Audit and Standards Committee twice a year. The report is written in conjunction with risk leads across the Council, and operationally, risk management continues to be embedded through service-level risk management workshops, targeted training sessions and ongoing support. The process is led by the Council's Head of Internal Audit, in consultation with risk owners, DMTs and CMT. The Risk Register articulates the causes and consequences of strategic risks, alongside a summary of controls. The work of Internal Audit, in accordance with its Annual Audit Plan, is directed towards the key risk areas as identified within the register. The work of Internal Audit therefore seeks to provide assurance to the senior management and members that the Council complies with relevant laws, regulations, internal policies and procedures. Internal Audit provides quarterly updates on delivery of the audit plan to the Audit and Standards Committee.
- 3.8.8 Robust business continuity management arrangements exist within the Council, with all critical services having business continuity plans in place.
- 3.8.9 The Council has a Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the Council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the Council's budget. The financial management framework includes regular budget monitoring reports to departmental management teams, Council Management Team and Cabinet.
- 3.8.10 CIPFA's Financial Management (FM) Code aims to embed sound financial management in local authorities. The Council has reviewed those areas where the FM Code requires compliance with existing codes of practice and has determined that the Council is fully compliant in those areas. Where the FM Code advocates a new approach, such as the use a formal Financial Resilience Assessment to determine the robustness of the Council's financial position and its sustainability in the long-term, the Council believes that there is considerable benefit to be had from updating its current arrangements to implement the FM Code's recommended approach. The Council is working to put in place a new MTFs and long term planning process which will cover the whole period of an administration's Borough Plan and beyond. The MTFs and improved service and financial monitoring arrangements will be closely linked to the overarching Borough Plan and the detailed service delivery plans.
- 3.8.11 The Council has two wholly owned subsidiary companies – i4B Holdings Limited (i4B) and First Wave Housing Limited (FWH). The work of the companies is agreed by the Cabinet through the annual business plan. Progress against delivery is reported to the

Council as shareholder/guarantor via a bi-annual meeting and there are also regular reports to the Council's Audit and Standards Advisory Committee. In addition, the work of the companies in delivering Council objectives has been reviewed via the scrutiny process.

- 3.8.12 FWH is limited by guarantee without share capital. The Board of the Company is chaired by an independent voting Director. The Company has a Service Level Agreement (SLA) with the Council to support the Company's operations. Under the SLA, the Council provides corporate services such as: governance services, financial services, and legal services.
- 3.8.13 I4B is limited by shares, providing affordable homes for households who might otherwise be housed in temporary accommodation. The Board of the Company is chaired by an independent voting Director. The Company has a Service Level Agreement (SLA) with Brent to provide a range of services to support the Company's operations such as corporate and financial services; property purchasing and refurbishment and housing management.
- 3.8.14 The Council also has a Shared Technology Service (STS) covering three councils (Brent, Lewisham and Southwark). A Joint Committee has been established to discharge executive functions on behalf of the three boroughs, in so far as they relate to joint activities or areas of common concern in relation to the provision of ICT infrastructure and related supporting services. An officer management board is also in place.
- 3.8.15 The council also has LGA Digital Services, which is a company limited by shares, jointly owned by the Local Government Association. LGA digital was set up in July 2015 to allow Brent to manage the ICT services for the LGA. Board and governance support is provided by the Council Transformation team. The Board of the Company is chaired by an LGA Head of Service, with remaining members being made up of Council and LGA representatives. Board meetings are held on a quarterly basis
- 3.8.16 The Council is also a founder member of Capital Letters, a Government and London Councils sponsored company which seeks to increase the supply of affordable Private Rented Sector accommodation in Brent by working collaboratively and avoiding competition between London Councils for the same privately owned properties.
- 3.8.17 Capital Letters was established as a private company limited by guarantee and is wholly owned by the 20 London member boroughs who constitute limited liability members of the company. The governance arrangements of the company are set out in the Articles of Association of the company and Members Agreement. Critical matters are reserved to the Members and this is set out in the Members Agreement
- 3.8.18 The Council is also a founder member of Locata Housing Services (LHS), which is a private company limited by guarantee set up in 2001 by a group of 5 West London Boroughs and 3 Housing Associations which jointly own LHS. The company was set up to deliver a sub-regional Choice Based Lettings system, which is the system Brent uses to allocate our social housing stock. LHS now supplies IT services to housing authorities and housing associations around the country.

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

- 3.9.1 Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on

actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

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

4. Review of Effectiveness

- 4.1 The Governance Framework is subject to on-going review as part of the everyday business of the organisation. The reduction in resources within the public sector has

increased the attention on ensuring that governance frameworks remain efficient and effective. The Council also has responsibility for conducting, at least annually, a formal review of the effectiveness of its governance framework including the system of internal control. This includes group activities where the activities are significant.

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

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

- Annual Assurance Opinion of the Head of Internal Audit;
- Performance against targets;
- Brent Council Independent Review: Racial Inequalities 2021;
- External Audit outcomes;
- Internal Audit outcomes;
- Scrutiny arrangements;
- Reports from inspectorates;
- 2022 Performance information;
- Risk management arrangements;
- Information governance arrangements; and
- A review of the previous year's Annual Governance Statement.

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

4.4.1 Performance Management

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

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

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

4.4.2 Management

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

4.4.3 The Cabinet

The Cabinet makes key decisions in accordance with the Budget and Policy Framework. It conducts joint planning sessions with the Council Management Team to consider the

Council's policy priorities and its linkages with the medium term financial strategy. The Cabinet meets regularly with the Council Management Team to develop policy and to receive operational and financial performance information.

4.4.4 Scrutiny Committees

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

4.4.5 The Audit and Standards Advisory Committee

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

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

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

Following CIPFA's publication of its new guidance for Audit Committees in the Autumn of 2022, the Audit and Standards Advisory Committee carried out a review of its own effectiveness, the findings of which were reported in March 2023. The self-assessment questionnaire asked Members to consider the Committee's effectiveness across 40 separate questions (including sub-questions) covering a number of areas. Overall, the survey results indicated that the Committee is adequately fulfilling its duties across all areas set out and prescribed within the CIPFA guidance. However, a number of areas have been identified where minor improvements are required to further enhance the effectiveness of the Committee. These include the preparation of an annual training plan for Committee members, the preparation of an Annual Report that provides assurance to all those charged with governance that the Committee fulfills its purpose

and can demonstrate its impact, and, within that report, an evaluation of whether and how the Committee is adding value to the organisation.

As a result, an action plan has been prepared which contains suggested actions to address the lowest scoring areas. The Chair and Vice-Chair of the Committee, in conjunction with officers, will take responsibility for the implementation of the action plan and progress updates will be reported to the Committee as appropriate.

4.4.6 Corporate Governance Group

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

4.4.7 Internal Audit

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

The Head of Audit and Investigations produces an annual report which will be presented to the Audit and Standards Advisory Committee. This report will outline the key findings of the audit work undertaken during 2022/23.

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

It is the opinion of the Head of Audit and Investigations that, taking into account all available evidence from audit work undertaken in 2022/23, there is reasonable assurance over the adequacy and effectiveness of the Council's overall framework of governance, risk management and control during the financial year 2022/23.

In determining the annual opinion, the Head of Audit and Investigations also considered any key themes of issues emanating from audit work undertaken in 2022/23. Three observations were noted:

- 'second line' gaps in control, which includes the monitoring, reporting and challenge over 'first line' controls. This observation was also noted in 2021/22;
- the rate of implementation of 'medium risk' audit recommendations; and
- the absence and/or updating of policies and procedures.

Internal Audit did not review all of the wider governance mechanisms described in this report however there was no evidence to suggest any deficiencies in the arrangements described by senior stakeholders in this statement. Furthermore, the Head of Audit and Investigations is satisfied that the Council's framework of governance for the year ended 31 March 2023 complies in all material respects with guidance on proper

practices as set out the CIPFA/SOLACE publication “Delivering Good Governance in Local Government (2016)”.

4.4.8 External Audit

Grant Thornton UK LLP is the Council’s appointed external auditor. As well as an examination of the Council’s financial statements, the work of the Council’s external auditor includes an assessment of the arrangements the Council have in place to deliver value for money in its use of resources. The external auditor is required to report on the Council’s arrangements under specified criteria, which are financial sustainability, governance and improving economy, efficiency and effectiveness.

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

4.4.9 Risk Management

The Council managed its risks during 2021/22 in accordance with the Risk Management Policy and Strategy. The Corporate Management Team formally considers strategic risks, with quarterly reports also being presented to the Audit and Standards Advisory Committee. Risk management is a key element of the Council’s governance framework and is aligned to the Council’s corporate objectives and priorities to help ensure that these and resulting outcomes are achieved. Enhancements continue to be made to the Council’s risk management framework, where deemed necessary and appropriate to do so. As part of the enhancements made in 2021/22, risk sponsors have now been assigned for each strategic risk, who will be accountable for the risk mitigating actions and controls. The risk impact matrix has also been expanded to help consider, identify and articulate the impact of risks across a number of factors, including financial, service delivery, health and safety and reputational impacts.

4.4.10 Developing Capacity

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

4.4.11 Engagement

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

5. Significant Governance Issues

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

- The issue has seriously prejudiced or prevented achievement of a principal objective;
- The issue has resulted in a need to seek additional funding to allow it to be resolved;
- The issue has resulted in significant diversion of resources from another aspect of the business;

- The issue has led to a material impact on the accounts;
- The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose; or
- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

During 2022/23, no significant governance issues were identified.

It is worth noting that as part of the external audit of the Council's 2021/22 statement of accounts, the report from the external auditor on value for money found no significant weaknesses in the Council's value for money arrangements and identified a number of improvement recommendations. All of the recommendations have been accepted and/or implemented.

6. **Conclusion and Evaluation**

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

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

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

Signed:

.....
Muhammed Butt
 Leader of the Council

.....
Kim Wright
 Chief Executive

Date:

.....

.....

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LOCAL CODE OF CORPORATE GOVERNANCE

INTRODUCTION

Each local authority operates through a governance framework. The governance framework is an interrelated system that brings together an underlying set of legislative requirements, standards of behaviour, and management processes.

Good governance means that the way a local authority operates is based on sound and transparent decision making with an effective process to support this; acting in the public interest at all times.

This Code sets out the Council’s governance framework. It is based on Guidance issued by the Chartered Institute of Public Finance and Accountancy (‘CIPFA’) and the Society of Local Authority Chief Executives (‘SOLACE’) guidance entitled Delivering Good Governance in Local Government Framework 2016 Edition.

There are seven core principles and further supporting principles identified by CIPFA/SOLACE which underpin and inform the way in which a local authority should perform its services and other functions. These principles inform the Council’s governance framework, the Local Code of Corporate Governance and the standards by which the Council is audited.

The principles and standards set out below in this Code reflect those set out by the current CIPFA/SOLACE Guidance.

1. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

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

The Constitution is regularly reviewed. The Constitution sets out the responsibilities of both members and officers. In particular the council has identified the following six statutory posts:

| Legislation | Statutory Post | Officer |
|---|-----------------------------------|--|
| S4 Local Government and Housing Act 1989 | Head of Paid Service | Chief Executive |
| Section 151 Local Government Act 1972 | Section 151 | Corporate Director of Finance and Resources |
| S5 Local Government and Housing Act 1989 | Monitoring Officer | Corporate Director of Governance |
| S18 Children Act 2004 | Director of Children’s Services | Corporate Director Children and Young People |
| S6 Local Authority Social Services Act 1972 | Director of Adult Social Services | Director Adult Social Care |

| | | |
|---|--|---------------------------|
| Health and Director of Public Health Social Care Act 2012 | Health and Director of Public Health Social Care | Director of Public Health |
|---|--|---------------------------|

- A Scheme of Delegation sets out the powers delegated to officers as part of the Constitution. The Financial Regulations are also part of the Constitution, together with this Code of Corporate Governance and the Contract Standing Orders. The Constitution is reviewed regularly, with all changes (other than minor variations which may be made by the Monitoring Officer) approved by the Council and published on the external website.
- The Members' Code of Conduct is set out in the Constitution, together with other codes. These are kept under review and updated if necessary. The council has an Audit and Standards Committee and an Audit and Standards Advisory Committee to deal with member conduct issues and these Committees are politically balanced and consist of five members and, in respect of the latter, independent or co-opted members too. Independent Persons have also been appointed in accordance with the Localism Act 2011 and have an important role to play in respect of specific complaints. The standards remit of these Committees is supported by the Monitoring Officer. There is a register of member interests and gifts and hospitality.
- All councillors receive training on the requirements of the Members' Code of Conduct and related issues. Monitoring Officer Advice Notes give advice to members on decision making and standards of conduct.
- All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. Corporate Directors, Directors and Heads of Service are responsible for monitoring implementation of the council's policies.
- The Council has a number of key governance related policies. Officers are made aware of their responsibilities through general communications, such as Weekly Round Up, manager briefings, staff events and via the induction process.

2. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

- The Communities and Regeneration Department is responsible for supporting some statutory local partnership arrangements (ie the Health and Wellbeing Board, Safeguarding Adults Board and Children's Trust) and some non statutory partnerships such as Partners for Brent. The Strategic Partnerships Team co-ordinates a broad range of collaborative activities, which stem from the Council's engagement with local public, private and voluntary sector organisations.
- Partners for Brent is an advisory body which facilitates wider involvement and engagement in the delivery of public services. The Partners for Brent Strategic Forum is made up of eight organisations including the Met Police, NHS partners and CVS.
- At a service area level, the objectives of partnerships are documented in the Service Plans and within contract documentation. They are then reflected in staff's individual objectives.

- Commitments to deliver against our responsibilities in relation to equality and diversity feature strongly in the Council's Borough Plan. Regard to equality, diversity and human rights duties is embedded in the budget setting and business planning process, and templates for each require that officers and members take into consideration in an appropriate manner the equality, diversity and human rights impacts of proposed decisions. The Council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management.

3. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS

- The Council has a Borough Plan for the period of 2023-2027 agreed by the Cabinet and Full Council. This document includes the corporate objectives of the Council and our shared partnerships priorities with other public agencies. Key performance indicators which relate to the priorities in the plan are monitored on a quarterly basis and reported to CMT and the Cabinet. The Borough Plan references other key relevant documents, including the following:
 - Health and Wellbeing Strategy;
 - Equality Strategy;
 - Climate and Ecological Emergency Strategy;
 - the Black Community Action Plan, and
 - the Poverty Commission Delivery Plan
- The priorities of the Borough Plan are regularly set out in The Brent Magazine, its website, press releases and targeted campaigns. Service priorities are extensively consulted on with users and other relevant stakeholders. Departmental Service Plans are discussed annually with Lead Members prior to finalisation.

4. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

- We are seeking to build on the successes achieved to-date in transforming the Council and the Borough while developing a much sharper focus on services designed around the individual and creating better outcomes for those residents with complex circumstances. We are directing our resources towards priorities which will have a more significant impact in improving local people's opportunities and life chances. Our approach is intended to facilitate much closer cross council and inter-agency working on common themes and address the big issues affecting the future of the borough. A programme of activity is in place to support delivery of this vision with reports on progress provided regularly to CMT and elected councillors.
- 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 Corporate Management Team review corporate risks through regular monitoring reports. Risks are identified within Service Plans and considered on a regular basis within departmental management teams and key operational risks are reported through to the Corporate Management Team.

5. DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

- A full member learning and development programme is in place and there is a comprehensive induction programme for all councillors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councillors is compulsory. The council has adopted specific codes of conduct for councillors involved in planning or licensing decision-making and these councillors receive additional training in these areas as a pre-condition of their participation. A bespoke annual learning and development programme is provided for Councillors appointed as Members or Substitutes on the Scrutiny, Planning and Licensing committees.
- There is a corporate induction programme in place for staff, which is largely e-learning based, and one for new managers, supplemented by various internal training courses. Within the New Manager Essential Programme the key objectives are for delegates to understand the roles and responsibilities (core standards and expectations) of the Brent Manager and the Management competencies. Key information and policies are highlighted to new staff and managers and held on the intranet.

6. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

- Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet model of decision making. Although some decisions are reserved for Full Council, most are made by the Cabinet, individual cabinet members or by committees, sub-committees or officers.
- All forthcoming Key decisions by Cabinet are published in the Council's Forward plan and published every month on the Council's website.
- Reports and minutes of meetings are also published on the council's website and are available through the Libraries. This includes urgent decisions, which are reported to the next formal meeting of Cabinet.
- The council has an Audit and Standards Advisory Committee which meets approximately 6 times during the year, and considers the findings of the council's annual governance review and recommends approval of the Annual Governance Statement by the Audit and Standards Committee in advance of approval of the annual statement of account. It also advises on member standards issues.
- The Audit and Standards Advisory Committee, has been established to enhance the effectiveness of the Audit and Standards Committee, with clear terms of reference and an annual work programme to consider and advise on internal audit and risk management. This enables the independent Members to be equal voting members of the committee.
- The Audit and Standards Committee meets at least twice a year to approve the Annual Governance Statement and the annual statement of accounts.
- The Council maintains an Internal Audit service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit has direct access to the Chief

Executive, the Section 151 Officer and the Chair of the Audit and Standards Committee and now the Chair of the Audit and Standards Advisory Committee.

- The council has established a counter fraud team to ensure a systematic, disciplined approach to investigation, evaluating and improving the effectiveness of fraud prevention and detection and the subsequent prosecution of individuals and organisations where appropriate.
- Robust business continuity management arrangements exist within the council, with all critical services having business continuity plans in place.
- The Council has a three year Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the council's budget. The financial management framework includes regular budget monitoring reports to departmental management teams, Corporate Management Team and Cabinet.

7. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

- The statutory Forward Plan is published monthly on the internet, and details all key decisions proposed to be made by the council during the relevant period. Any key decision which is not on the Forward Plan may not be taken within that period, unless the report author is able to demonstrate to the Monitoring Officer and relevant members that urgency procedure requirements are met and, where required under Standing Orders, appropriate agreement of the Chief Executive or the relevant Chair of Scrutiny is obtained. All urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to Full Council.
- Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Cabinet receives a briefing (Leader's Briefing) three weeks prior to the Cabinet meeting when members can ask detailed technical questions of officers. All reports must be reviewed and signed-off by or on behalf of the Corporate Director of Finance and Resources and the Corporate Director of Governance and contain clear financial and legal advice to help members arrive at decisions.
- In accordance with the Local Government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Cabinet. These mechanisms involve the Scrutiny process including call-in. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.
- All members and chief officers are required to complete an annual statement relating to third party transactions and a register of members' interests, which is updated by members, is maintained and published on the Council's website.
- The Brent Council Code of Conduct for Members, revised in 2021, defines the standards of conduct expected of elected representatives, based on the

principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

- In addition, the following codes, protocols and systems are well established within the council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government.

These include:

- A declaration of interest process for members and senior officers as described above;
- Rules and protocols are in place and are being further developed for all partnership working;
- Organisation-wide performance appraisal and employee development schemes are in operation;
- There is a corporate complaints procedure in place in line with Ombudsman good practice requirements;
- Whistle-blowing, anti-fraud and anti-corruption / bribery policies are in place and publicised in compliance with the national transparency agenda; senior officers' remuneration is published on the council website.


ANNUAL REVIEW AND REPORTING

Each year the council will carry out a review of the governance arrangements measured against this Code and the principles set out in the CIPFA/SOLACE Framework to ensure compliance with this Code, and the delivery of good governance within the local government framework and current good practice. The purpose of the review will be to provide assurance that governance arrangements are good and operating effectively and to identify any action required to improve effective governance in the future.

The outcome of the review will take the form of an Annual Governance Statement prepared on behalf of the Leader of the Council and the Chief Executive in accordance with the timetable for the preparation of the annual accounts. The findings of the review will be submitted to the Audit and Standards Advisory Committee and then the Audit and Standards Committee for consideration in accordance with the Audit and Accounts Regulations 2015. This requires findings of the review of the system of internal control to be considered by a committee, or by members of the council meeting as whole and that the Annual Governance Statement be approved by resolution of a committee, or members of the council meeting as a whole in advance of approving the statement of accounts.

The Governance Framework consists of a range of documents, policies and procedures developed, maintained and promoted by a number of different departments which are published and promoted to members, officers and others by publication on the council's website.

This Code will be reviewed annually and when any new CIPFA/SOLACE guidance is issued.

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|  | <p align="center">Audit and Standards Advisory Committee 6 June 2023</p> |
| | <p align="center">Report from Corporate Director, Governance</p> |
| <p>Standards Report (including quarterly update on gifts and hospitality)</p> | |

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|---|--|
| 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 (Qtr. 1) |
| Background Papers: | None |
| Contact Officer(s): <small>(Name, Title, Contact Details)</small> | Debra Norman, Corporate Director Governance 020 8937 1578 Debra.Norman@brent.gov.uk Biancia Robinson, Senior Constitutional & Governance Lawyer 020 8937 1544 Biancia.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 and member training.

2.0 Recommendations

2.1 That the Committee note the contents of the 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 first quarter of 2023/24 there have been eight 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.

Independent/Co-opted members

- 3.5 The Committee will recall that following the recruitment process for the Independent Co – opted Members (Standards focused) Full Council approved the appointment of Rachael Tiffen on the 17.05.23. A further recruitment exercise has commenced to fill the second Independent Co-opted Members vacant post, and officers will update the Committee at its next meeting.

Member Training Attendance

- 3.6 At this Committee's request reports updating it on the attendance records for Member's in relation to mandatory training sessions has become a standard reporting item. Refresher mandatory training for all members is currently underway. With the exception of Scrutiny Committee (which is scheduled to take place in September) all refresher training is due to conclude mid – July. Officers will update the Committee at its next meeting with respect to the attendance record for Members in relation to refresher mandatory training sessions
- 3.7 The Committee will know that:
 - 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"*.
 - b) The schedule for all mandatory sessions is ordinarily published and approved in the Council calendar at the May 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) For face-to-face training sessions, reminders are sent via email, calendar invitations, and text messages and, on some occasions, direct telephone calls to Members. The same reminder process is employed for re-run(s) of sessions, where applicable, to take account of personal circumstances like work commitments and childcare arrangements etc.
- e) During 2023 the Committee will receive regular updates on Members who have not completed the mandatory training sessions.

First-Tier Tribunal decision

- 3.8 Whilst this First Tier Tribunal decision is not strictly to do with Standards it may be of interest to members using the Freedom of Information regime. In Derrick v Information Commissioner [2023] UKFTT 428 (GRC) (18 May 2023) The First-Tier Tribunal has concluded that the public interest in disclosure did not outweigh legal professional privilege to justify fulfilling a councillor's FOI request to see legal advice obtained by her own local authority.
- 3.9 The dispute centred around legal advice that the council obtained about notices of objection it had received at the Land Registry about payments from the council to the Hughenden Community Support Trust (HCST). It also asked for advice on whether 99-year leases between the council and HCST were valid.
- 3.10 The appellant, Cllr Linda Derrick, was asked to recuse herself from the discussions as she was one of the main objectors at HCST. She later asked to see the legal advice, but the council said it would be inappropriate to share the information with her, prompting her to make a freedom of information (FOI) request. This request was rejected.
- 3.11 Cllr Derrick went on to complain to the Information Commissioner, who found that the public interest in maintaining the exemption in section 42(1) FOIA (legal professional privilege) outweighed the public interest in disclosure and that the council had correctly applied section 42(1) FOIA.
- 3.12 The judge continued: "We recognise that there may be cases where the public interest in disclosure will outweigh the in-built public interest in protecting legal professional privilege, and that s42 FOIA does not provide for a blanket exemption. However, in our view this is not one of those cases and the Commissioner was correct to find that the balance of public interest lies in withholding the information and protecting the council's ability to obtain free, frank and high quality legal advice without the fear of premature disclosure.
- 3.13 Furthermore, he noted that: "This decision is not a decision that the appellant should not see the legal advice. There may be other avenues to explore where this might be appropriate. However, this decision does find that access for the

appellant to the legal advice through FOIA, which would effectively amount to disclosure to the public at large, is not permitted.”

4.0 Financial Implications

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

5.0 Legal Implications

5.1 Pursuant to the Localism Act 2011, the Council has to have arrangements in place to deal with any allegations of failure to comply with the code of conduct and must appoint an Independent Person whose views are sought and taken into account by the council before it makes its decision on an allegation that it has decided to investigate.

5.2 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

Appendix A: April 2023 to May 2023

| Councillor | Date of gift | Gift received | Value £ | From |
|-------------------|---------------------|--|----------------|--------------------------------------|
| Cllr M Butt | 15/05/2023 | 2 tickets to Wembley Arena KSI Match on 13 May 2023. | 2 x £50.00 | Misfits Boxing |
| Cllr Rita Begum | 22/04/2023 | George Irvine Funfair | 25.00 | George Irvine Funfair |
| Cllr Conneelly | 22/04/2023 | George Irvine Funfair | 19.00 | George Irvine Funfair |
| Cllr Gwen Grah | 22/04/2023 | Funfair entry and rides | 19.00 | George Irvine Funfair |
| Cllr Ketan Sheth | 11/05/2023 | Invitation to the ' <i>Ideas for India</i> ' Conference, Royal Lancaster London Hotel, London W2 followed by the Asian-UK Excellence Awards Dinner at the House of Commons, London SW1 | 100.00 | EPG Economic and Strategy Consulting |
| | 12/05/2023 | Book (signed copy) — Inclusive and Sustainable Finance by Prof Atul Shah | 34.99 | Prof Atul Shah |
| | 12/05/2023 | Book (signed copy) — Pretty Young Rebel by Flora Fraser | 25.00 | Flora Fraser |
| | 16/05/2023 | Dinner with Stephen Davis, Chief Executive of the United College Group. Coal Office Restaurant, London N1 | 25.00 | United Colleges Group |

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|  Brent | Audit & Standards Advisory Committee 6 June 2023 |
| | Report from the Corporate Director of Finance & Resources |
| Statement of Accounts 2022/23 Update | |

| | |
|---|---|
| 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: | None |
| Background Papers: | None |
| Contact Officer(s): <small>(Name, Title, Contact Details)</small> | Minesh Patel Corporate Director of Finance & Resources Minesh.Patel@brent.gov.uk 020 8937 4043 Rav Jassar Deputy Director of Finance Ravinder.Jassar@brent.gov.uk 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 2022/23.

2.0 Recommendation(s)

2.1 That the Committee notes the delay to the publication of the draft accounts for 2022/23.

3.0 Detail

3.1. In February 2023, 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. The Local Government Association responded to state that the 31st May was too soon given the current crisis in auditing local authorities' accounts. Despite objections from the Local Government Association and others, DLUHC decided to go ahead with the 31st May deadline for the 2022/23 Accounts.

3.2. On the 24th May, CIPFA's CEO, Rob Whiteman, issued the following statement:

"Statutory provisions for reporting require the effective publication of unaudited financial statements by 31 May 2023. As a professional accounting institute, CIPFA will always recognise the statutory nature of the deadline.

However, some senior leaders in local government finance have told us the 31 May deadline will not be achievable without considerable risk to their organisations and their professional standing.

Many are concerned about the wellbeing of teams who have worked hard to deal with a difficult budget setting process and are now facing the challenge of producing accounts against the backdrop of significant and continuing audit delays. These delays present chief financial officers with gaps in the assurance processes which make exercising professional judgement about a true and fair position more difficult.

CIPFA recognises the significant challenges CFOs and their finance teams are facing and we would encourage senior leaders to take a considered and transparent approach. Sensible steps would be to ensure conversations have taken place with key stakeholders such as senior members, the chair of audit committee (or equivalent), the chief executive and monitoring officer and any other interested parties. Clarity about the reasons for any decisions about publication of the unaudited financial statements will allow members and others to monitor the situation, maintaining appropriate transparency and accountability over the process.

It is important that all those involved understand the reality that a balance is struck between the timeliness and the quality of unaudited financial statements produced in the coming weeks."

3.3. Reflecting upon the council's readiness to publish a draft a set of accounts by 31st May, the council is not ready to publish a set of accounts of appropriate quality by 31st May and to assure the committee that this is a true and fair view of the council's finances. This is in part due to the challenges created by the delayed completion of the 2021/22 audit: staff have been focused on finalising the audit and the 2021/22 accounts for much of 2022/23, and this has meant that it is not possible to meet the brought forward deadline.

3.4 At the time of writing, it is expected that the draft accounts will be published by 30th June 2023.

Inspection period

3.5 Local electors have the right to inspect the draft accounts when they are published. As accountability to the local electorate is an important part of the governance of the Council, notice of the inspection period will be advertised on the Council's website in advance of the unaudited financial statements being published. As a result of the delay, a notification has been posted on the Council's website to explain the situation.

4.0 Financial Implications

4.1 No specific implications.

5.0 Legal Implications

5.1 The Accounts and Audit Regulations 2015 as amended by the The Accounts and Audit (Amendment) Regulations 2022 require the accounts to be published by 31st May, and inspection of the accounts to commence in the first 10 days of June, or the council to publish a notice to explain the delay. This notice has been published on the council's website.

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

Corporate Director of Finance &
Resources

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| | |
|---|--|
|  Brent | Audit & Standards Advisory Committee 6 June 2023 |
| | Report from the Corporate Director of Finance and Resources |
| External Audit's Enquiries of Management | |

| | |
|---|---|
| Wards Affected: | All |
| Key or Non-Key Decision: | Not Applicable |
| Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small> | Open |
| No. of Appendices: | Two Appendix 1 – Brent Council Enquiries of Management Appendix 2 – Pension Fund Enquiries of Management |
| Background Papers: | None |
| Contact Officer(s): <small>(Name, Title, Contact Details)</small> | Minesh Patel Corporate Director of Finance and Resources Minesh.Patel@brent.gov.uk 020 8937 4043 Rav Jassar Deputy Director of Finance Ravinder.Jassar@brent.gov.uk 020 8937 1487 |

1.0 Purpose of the Report

- 1.1 As in recent years the auditors expect the Audit and Standards Advisory Committee to review the responses provided by management to their Enquiries

of Management by the council and the pension fund. This is in order to meet the expectations of the Financial Reporting Council (FRC).

2.0 Recommendation(s)

2.1 The Committee is asked to review the:

- Brent Council Enquiries of Management at Appendix 1
- Pension Fund Enquiries of Management at Appendix 2

3.0 Financial Implications

3.1 No specific implications.

4.0 Legal Implications

4.1 No specific implications.

5.0 Equality Implications

5.1 No specific implications.

6.0 Consultation with Ward Members and Stakeholders

6.1 Not applicable.

7.0 Human Resources

7.1 Not applicable.

Report sign off:

Minesh Patel

Director of Finance and Resources

Informing the audit risk assessment for London Borough of Brent

2022/23

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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 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 your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between London Borough of Brent's external auditors and London Borough of Brent's Audit and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Standards Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Standards Committee and supports the Audit and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the London Borough of Brent's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from London Borough of Brent's management. The Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

| Question | Management response |
|---|--|
| <p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p> | <p>Key issues are the cost of living crisis, inflation, high energy prices and increased demand for key services post covid.</p> <p>These are having a significant impact on service area budgets, especially childrens' and adults' social care.</p> |
| <p>2. Have you considered the appropriateness of the accounting policies adopted by London Borough of Brent? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p> | <p>The appropriateness of the accounting policies adopted have been considered and are still appropriate and in accordance with the CIPFA code of practice.</p> <p>No event or transactions have caused a change or adoption of new accounting policies, other than the changes to soft loan accounting arising from the last audit.</p> |
| <p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p> | <p>No use of financial derivatives. Continue to transact in the same types of instruments as 2021/22. These include:</p> <p>Assets:</p> <p>Cash in hand; bank current and deposit accounts with NatWest bank; loans to small companies and housing associations; lease receivables; Trade receivables for goods and services provided; Money market fund</p> <p>Liabilities:</p> <p>Long-term loans from the Public Works Loan Board and commercial lenders; Short-term loans from other local authorities; Overdraft with NatWest Bank; Lease payables; Private Finance Initiative contracts; Trade payables for goods and services received.</p> |
| <p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p> | <p>No</p> |

General Enquiries of Management

| Question | Management response |
|--|--|
| 5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they? | No one off circumstance that would cause widespread impairment. |
| 6. Are you aware of any guarantee contracts? If so, please provide further details | No |
| 7. Are you aware of the existence of loss contingencies and/or asserted claims that may affect the financial statements? If so, please provide further details | No |
| 8. Other than in house solicitors, can you provide details of those solicitors utilised by London Borough of Brent during the year. Please indicate where they are working on open litigation or contingencies from prior years? | <ol style="list-style-type: none"> 1. Bevan Brittan – not open litigation 2. Trowers & Hamblins - not open litigation 3. TLT – not open litigation 4. Ashfords – not open litigation 5. Capsticks – not open litigation 6. Judge & Priestley – Probate solicitor. 7. Pinsent Masons - Open Litigation 8. Plexus, Kennedy's and Legitimus for open litigation. 9. Eversheds Sutherland – not open litigation 10. Sharpe Pritchard – not open litigation |

General Enquiries of Management

| Question | Management response |
|--|---|
| 9. Have any of the London Borough of Brent's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details | No |
| 10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted? | <ul style="list-style-type: none"> • Local Partnerships around PFI/PPP contracts • LG Futures for Business Rates on the mini London pool • Arlingclose Ltd - Treasury management advisors consulted on ongoing Treasury Management activities and provide regular market and regulatory updates. |
| 11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details | <p>All financial investments (covered within the accounting standard) have gone through an ECL review. The initial calculations indicate that all ECL calculations are not material for the accounts but full calculations and working papers can be provided to evidence this.</p> <p>Simplified approach model permitted under IFRS 9, using aged debt profile to determine expected levels of non-collection</p> |

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Standards Committee and management. Management, with the oversight of the Audit and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As London Borough of Brent's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from London Borough of Brent's management.

Fraud risk assessment

| Question | Management response |
|---|--|
| <p>1. Has London Borough of Brent assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the London Borough of Brent's risk management processes link to financial reporting?</p> | <p>No concerns or issues have been identified in respect of fraud that may result in material misstatements to the financial statements.</p> <p>All known material risks are considered as part of our Internal Audit annual planning process. We also deliver a three-year rolling Key Financial Systems/controls programme of work.</p> |
| <p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p> | <p>Whereas all financial systems are inherently at risk of fraud, we are satisfied that there are currently none which exceed management's risk appetite.</p> <p>Additionally, Internal Audit work with management annually to identify all areas where independent assurance may be helpful. This includes identifying which key financial systems and processes should be included in the audit plan if there are any emerging risk factors.</p> |
| <p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within London Borough of Brent as a whole, or within specific departments since 1 April 2022? If so, please provide details</p> | <p>We have a Counter Fraud team who seek to prevent, detect and prosecute fraud. There are a number of fraud categories which we manage. Full details are online in our quarterly and annual reports available via the Council's website. A recent example is: Agenda item - Counter Fraud Interim Report 2022-23 (brent.gov.uk)</p> |

Fraud risk assessment

| Question | Management response |
|--|--|
| <p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p> | <p>Risk issues are reported in a broad number of ways, including:</p> <ol style="list-style-type: none"> 1) Quarterly Internal Audit and Counter Fraud progress reports are reported to CMT and the Audit and Standards Advisory Committee. 2) Internal Audit reports and Investigation reports are shared with all appropriate stakeholders and senior management. 3) The Head of Internal Audit (HIA) meets regularly on a 1:1 basis with the Chief Executive, Monitoring Officer, Director of Finance, and Chair and Vice Chair of the Audit Committee. Any risk issues are covered during these forums. 4) The HIA sits on the Council's Corporate Governance Group, and provides updates surrounding IA and counter fraud activities. |
| <p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within London Borough of Brent where fraud is more likely to occur?</p> | <p>Like all local authorities, fraud is a significant inherent risk to the Council. We have a counter fraud plan in place which seeks to detect and prevent fraud against the highest known fraud risks.</p> |
| <p>6. What processes do London Borough of Brent have in place to identify and respond to risks of fraud?</p> | <p>Please refer to answers provided above.</p> |

Fraud risk assessment

| Question | Management response |
|--|---|
| <p>7. How do you assess the overall control environment for London Borough of Brent, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p> | <p>These functions are part of the overall corporate governance and risk management framework. Internal Audit provide independent assurance on the effectiveness of these arrangements via annual plan delivery and reporting to those charged with governance.</p> <p>Robust controls in place for all approvals with the way Oracle Cloud has been designed for the business and within Finance. System restrictions prevent non-compliance. Treasury Management activities follow strict procedures and controls which are reviewed by management regularly.</p> |
| <p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p> | <p>No areas are at elevated risk for misreporting, there are a range of controls in place, and the council's internal audit team monitor the effectiveness of controls across the council, and monitor implementation of action plans to address any risks identified.</p> |

Fraud risk assessment

| Question | Management response |
|---|---|
| <p>9. How does London Borough of Brent communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p> | <p>This is undertaken via the Council's Anti-Fraud and Corruption policies (including Whistleblowing); fraud awareness programmes, Intranet/ Yammer communications; and induction processes. The Code of Conduct for officers and members states it is everyone's responsibility to report suspected fraud.</p> <p>The Council's Anti-Fraud and Corruption states:</p> <p><i>As an employee, agency staff, contractor, teacher or support staff in schools - If you suspect fraud or bribery in any of the council's or school's activities, either committed by a member of the public or a member of staff, you have a duty to inform the Audit and Investigations Team. You can either do this directly or via your manager.</i></p> |
| <p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p> | <p>Fraud is an inherent risk to any organisation and cannot immediately be specified to high-risk posts.</p> <p>Within finance, the highest risk areas are around changing supplier's and staff bank details, and making payments, and there are a range of controls in place to reduce risk of fraud and corruption including segregation of duties and procedures for approval.</p> |
| <p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p> | <p>Not aware of any related party relationships or transaction that could give rise to instances of fraud.</p> <p>The council requires members and staff to declare any potential conflicts of interest. Managers are required to monitor and approve or reject some declarations by their members of staff. Members' interests are declared to the monitoring officer and disclosed publicly.</p> |

Fraud risk assessment

| Question | Management response |
|---|---|
| <p>12. What arrangements are in place to report fraud issues and risks to the Audit and Standards Committee?</p> <p>How does the Audit and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p> | <p>Quarterly Internal Audit and Counter Fraud progress reports are reported to CMT and the Audit and Standards Advisory Committee. The Audit and Standards Advisory Committee questions the council's officers about these reports. These discussions are minuted and available via the council's website. Outcome is enhanced profile of the work of the counter fraud team.</p> |
| <p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p> | <p>We receive a large number of fraud referrals and allegations from both employees and other parties. Full details of which are published in our interim and annual counter fraud reports, available on the Council's democracy webpages.</p> |
| <p>14. Have any reports been made under the Bribery Act? If so, please provide details</p> | <p>No</p> |

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Standards Committee, is responsible for ensuring that London Borough of Brent's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Standards Committee as to whether the council is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

| Question | Management response |
|--|---|
| <p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does London Borough of Brent have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the council's regulatory environment that may have a significant impact on the council's financial statements?</p> | <p>Management gain assurance in this area from the range of management controls in place to manage all services - e.g. including recruitment and training of appropriately qualified staff, a robust policy and procedure framework and effective management oversight and control. Legal and Financial implications are required to be included in all reports for decisions by Cabinet members and member level decision-making bodies as well as in all key decision report to officers. Additionally, independent and objective assurance is provided by the Internal Audit function as well as other external assurance providers. We are not aware of any changes to the Authority's regulatory environment that may have had a significant impact on the Authority's financial statements.</p> |
| <p>2. How is the Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p> | <p>The Internal Audit annual plan is the key source of assurance for ASAC. This plan is focused on the highest risk areas for the Council. Each Audit review will consider compliance with policy, plans, laws and regulation as part of the scope for that review.</p> |
| <p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p> | <p>No</p> |
| <p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p> | <p>These are reviewed and disclosed in the Statement of Accounts as either provisions or contingent liabilities.</p> |

Impact of laws and regulations

| Question | Management response |
|---|--|
| <p>5. What arrangements does London Borough of Brent have in place to identify, evaluate and account for litigation or claims?</p> | <p>The council has reviewed claims received by its Legal team and through its Insurance claims processes, and followed the principles stipulated by the FRS and CIPFA.</p> <p>Other possible claims are identified by open communication with services through regular budget monitoring, Capital sub-boards and Capital Programme Board to raise and monitor any outstanding litigation</p> |
| <p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p> | <p>No</p> |

Related Parties

Matters in relation to Related Parties

London Borough of Brent are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by London Borough of Brent;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the council, or of any body that is a related party of the council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the council's perspective but material from a related party viewpoint then the council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

| Question | Management response |
|---|--|
| <p>1. Have there been any changes in the related parties including those disclosed in London Borough of Brent's 2021/22 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and London Borough of Brent whether London Borough of Brent has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions | <p>At the time of writing no changes to the council's related parties have been identified, although the year end review of related parties is still in progress.</p> |
| <p>2. What controls does London Borough of Brent have in place to identify, account for and disclose related party transactions and relationships?</p> | <p>Annual related parties return from Senior managers and Members where they'll disclose whether they have any related party transactions or relationship.</p> <p>All Members are required to submit register of interest</p> <p>Review of the GL transaction for related party transactions.</p> <p>Review process of the annual accounts (including review by the Director of Finance) to ensure related party relationship are captured.</p> <p>Staff are required to declare any conflicts of interest annually.</p> |
| <p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p> | <p>The Council's procurement policy ensure contracts are awarded to the most suitable bidder.</p> <p>In addition the Council has various internal control for approving transactions such as segregation of duty and authorisation levels. And detective controls such as budget monitoring.</p> |
| <p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p> | <p>The Council has various internal control for approving transactions such as segregation of duty and authorisation levels. And detective controls such as budget monitoring.</p> |

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 of accounting will apply where the body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

| Question | Management response |
|---|---|
| 1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by London Borough of Brent will no longer continue? | Regular review of the impact of central government announcements. Monitored through regular senior management meetings and collaboration with wider London/national groups. Also reviewed as part of annual budget challenge sessions with senior Council officers and members. |
| 2. Are management aware of any factors which may mean for London Borough of Brent that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they? | No |
| 3. With regard to the statutory services currently provided by London Borough of Brent, does London Borough of Brent expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for London Borough of Brent to cease to exist? | London Borough of Brent expects to continue to deliver their statutory services for the foreseeable future. |
| 4. Are management satisfied that the financial reporting framework permits London Borough of Brent to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements? | Yes |

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

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

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

Specifically do Audit Committee members:

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

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

| Question | Management response |
|---|---|
| <p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p> | <ul style="list-style-type: none"> • Impact on collection rates from cost of living crisis • Insurance claims provision • Purchase Order Accruals are reviewed each year. This year historic purchase order accruals are written off, reviewed and then re accrued where required. • Property, plant and equipment (PPE) valuation and depreciation |
| <p>2. How does the council's risk management process identify and address risks relating to accounting estimates?</p> | <p>Included in Corporate Risk Register and Internal Audit Reviews</p> <p>Where possible the Council would base our accounting estimates on external expert advice/opinion, such as for PPE valuation, Pension Fund valuation, Treasury management advisors and etc</p> |
| <p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p> | <p>Corporate Finance, SLT, Service DMTs and Audit Committee reviews</p> <p>Where relevant the Council would also receive guidance from our external expert.</p> |
| <p>4. How do management review the outcomes of previous accounting estimates?</p> | <p>Review outturn against accruals made. Make improvements to accrual methodology based on this analysis.</p> <p>Sample checks of estimates.</p> |
| <p>5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?</p> | <p>No</p> |

Accounting Estimates - General Enquiries of Management

| Question | Management response |
|--|--|
| <p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p> | <ul style="list-style-type: none"> • Employ external experts where there is limited knowledge (e.g. PFI). Accruals to have supporting workings. • External solicitors' consultation by exception. • Professional judgement of the service areas involved. • Additional specific external training for Staff |
| <p>7. How does the council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p> | <p>For Plant, Property and Equipment (PPE) valuations the external valuer's revaluation is reviewed and challenged by the Council's Property team's expert. The Council's finance team also reviews the revaluation. Every asset on the revaluation list are reviewed. Each year management are required to submit returns notifying finance of any impairment to ensure the valuation estimate are appropriate.</p> |
| <p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p> | <ul style="list-style-type: none"> • HoF/SFA review of accruals proposed by Service and material estimates • For PPE Valuations, the external Valuer's estimates are reviewed by experts in this field from the Property team. The valuation are also reviewed by Finance and any significant difference are challenged. |
| <p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. | <ul style="list-style-type: none"> • All of the homecare and other material accruals will be based on the YTD expenditure trend, with adjustments made for exceptional in-year items. • Senior finance review of material estimates. • Using third party evidence and confirmations where possible. |

Accounting Estimates - General Enquiries of Management

| Question | Management response |
|---|---|
| 10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they? | No |
| 11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable? | <ul style="list-style-type: none"> • Guidance and advice provided by advisors/external consultants and reviewed by SFAs & HoF against the Accounting Code of Practice. • The Chief Accountant's team also provide technical guidance and training to the finance team |
| 12. How is the Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ? | Through this process |

Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|--------------------------------|--|---|---|---|---|
| Land and buildings valuations | Our assets are revalued on a 5 years rolling basis. The revaluations are done by the external valuers Wilks, Heads and Eve. Operational assets are valued at existing use value, specialised assets are revalued at depreciated replacement cost and surplus assets are revalued at fair value. Our external valuers also provides a market review/indexation review report each year. | External valuers are used to provide estimates. These are then reviewed and where necessary challenged by Property experts in the Council's Property team | Yes - external valuers for the valuation. Also external surveyor where required. | Uncertainty for valuation is inherent. However our valuers' estimates are expert opinions based on best available estimates and in compliance with the CIPFA Code and the Statement of Asset valuation principles and guidance notes issued by the Royal institute of Chartered Surveyors (RICS). These estimates are also reviewed and were necessary challenged by our in house Valuers/experts | No |
| Council dwelling valuations | Our assets are revalued on a 5 years basis. The revaluations are done by the external valuers Wilks, Heads and Eve. Council dwellings are valued using the beacon principle and at existing use value- social housing. Our external valuers also provides a market review/indexation review report each year. | External valuers are used to provide estimates. These are then reviewed and where necessary challenged by Property experts in the Council's Property team | Yes- external valuers for the valuation and UEL estimation | Uncertainty for valuation is inherent. However our valuers' estimates are expert opinions based on best available estimates and in compliance with the CIPFA Code and the Statement of Asset valuation principles and guidance notes issued by the Royal institute of Chartered Surveyors (RICS). These estimates are also reviewed and were necessary challenged by our in house Valuers/experts | No |
| Investment property valuations | N/a | N/a | N/a | N/a | N/a |
| Depreciation | Straight line depreciation. Useful economic life (UEL) range as per our Brent policy of: Buildings (including HRA) 5 – 60 years as determined by the valuer Infrastructure – based on expert review Plant, Vehicles, Equipment & Machinery Up to 10 years Community Assets Not depreciated where held at nominal value. Land is not depreciated. | Buildings are the material items on our Property, plant and equipment. Their valuation and UEL are determined by our external valuers | Yes- external valuers for the valuation and UEL estimation | Uncertainty for valuation is inherent. However our valuers' estimates are expert opinions based on best available estimates and in compliance with the CIPFA Code and the Statement of Asset valuation principles and guidance notes issued by the Royal institute of Chartered Surveyors (RICS). These estimates are also reviewed and were necessary challenged by our in house Valuers/experts | No |

Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|---|--|--|--|---|---|
| Valuation of defined benefit net pension fund liabilities | Asset valuations are provided by Northern Trust, the Fund's custodian on a monthly basis. | Estimates are provided by the Fund custodian Northern Trust | Yes - Northern Trust | Uncertainty for valuation is inherent for more illiquid asset classes. Estimates provided at fair value in line with the CIPFA code. | No |
| Fair value estimates | Fair values are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions. Fair values include accrued interest for 31st March to enable direct comparison with the amortised cost. | Estimates provided by our Treasury Management Advisor for greater accuracy and sector knowledge. | Yes - information provided by our Treasury Management Advisors Arlingclose | Not able to use any other method for fair value estimation. | No |
| Provisions | Calculated using the value of liability declared on summary forms by the Council's legal team. | Monitoring of rent collection rates in year and prior years' trends Legal Department's advice on legal cases if any Finance ask the legal department to complete a summary form for each matter which includes the value of the liability, information on the matter and actions being taken to resolve. | Advice of the collective for the water charges case The Council's in-house legal team | "Assume YTD expenditure trend continues for accrual period Assume that prior years' income collection rates will apply Legal claims are inherently uncertain and the liability will depend on the outcome. A probability of success is used to calculate the provision. | Calculated using the value of liability declared on summary forms by the Council's legal team. |
| Income & Expenditure Accruals | Accruals based on YTD expenditure and any known future liabilities and receivables not yet invoiced | No | Assume YTD expenditure trend continues for accrual period | No | Accruals based on YTD expenditure and any known future liabilities and receivables not yet invoiced |

Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|---------------------------------------|--|---|--|--|---|
| Credit loss and impairment allowances | The allowances are calculated based on historic trends of performance, ongoing forecasting and the impact this may have on possible future collection rates on debts. | Historic trends and forecast information. | Not currently used however we may use external consultants to give us advice where needed | Assumption on the creditworthiness of a local authority who may be involved in the transaction based on guidance by credit rating agency. | No |
| Finance lease liabilities | <p>Finance lease repayments and interest payments are calculated using the actuarial method (allocating interest to the period it relates to) and assumes that a single payment is made at the end of the contract year.</p> <p>Rentals payable under operating leases are charged to revenue in the year in which they are paid and no provision is made for outstanding lease commitments.</p> | <p>Finance ask the properties team to provide information on any new leases in/out and review each of the current leases and provide information of any changes such as rent, lease duration and risks associated with the lease.</p> <p>We also have a lease accounting Model in regards to controls used to identify estimates.</p> | <p>We used Arlingclose for accounting Advice in regards to new finance lease that has been entered into this financial year.</p> <p>Arlingclose also provide generic advice on how to account for leases and have provided guidance for understanding the impact of IFRS 16.</p> | The Council assesses whether or not leases have to be disclosed on balance sheet in line with IAS 17, using guidance from the Royal Institute of Chartered Surveyors as directed by the CIPFA. Where the terms of the lease transfer substantially all the risks and rewards incidental to ownership leases are recorded on balance sheet as finance leases, other leases not reported on the balance sheet are known as operating leases. | No |
| PFI Liabilities | <p>The Liabilities are set out at the start of the PFI arrangements, depending on the agreement. It would be linked to the valuation of the asset received by the council.</p> <p>There is a fixed schedule to reduce the liability over the lifetime of the PFI, to reflect the payments made by the council.</p> | Accounting Model designed to help with the understanding | The Council would have used external PFI experts to agree and design the Accounting model. | There are no changes in accounting standard otherwise the liabilities that are set out at the beginning of the contract will have to change. | No |



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Informing the audit risk assessment for Brent Pension Fund 2022/23

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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 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 your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Brent Pension Fund's external auditors and Brent Pension Fund's Audit and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Standards Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Standards Committee and supports the Audit and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Brent Pension Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Brent Pension Fund's management. The Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

| Question | Management response |
|--|---|
| 1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23? | None |
| 2. Have you considered the appropriateness of the accounting policies adopted by Brent Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they? | Management are not aware of any events or transactions that may cause us to change or adopt new accounting policies. |
| 3. Is there any use of financial instruments, including derivatives? If so, please explain | The pension fund invests contributions from its members in a range of financial instruments in line with its investment strategy in order to pay member benefits and reduce the funding deficit. These will be disclosed in the accounts in line with the CIPFA Code of Practice. Assets include: Bank current account with NatWest bank, Money Market Funds and pooled funds for a range of asset classes including equities, debt, property and infrastructure. |
| 4. Are you aware of any significant transaction outside the normal course of business? If so, what are they? | Not aware of any significant transaction outside the normal course of business. |

General Enquiries of Management

| Question | Management response |
|---|--|
| 5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they? | Not aware of any changes in circumstances. |
| 6. Are you aware of any guarantee contracts? If so, please provide further details | Not aware of any guarantee contracts. |
| 7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details | Not aware of the existence of loss contingencies and/or un-asserted claims. |
| 8. Other than in house solicitors, can you provide details of those solicitors utilised by Brent Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years? | Brent Pension Fund used in house solicitors and external solicitor (Eversheds Sutherland LLP) during the year. They were not working on open litigation or contingencies from prior years. |

General Enquiries of Management

| Question | Management response |
|---|---|
| 9. Have any of the Brent Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details | None reported. |
| 10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted? | Hymans Robertson – Actuarial and investment consultancy advice Ernst and Young – tax advice on VAT |
| 11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details | Yes - we do not have credit losses |

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Standards Committee and management. Management, with the oversight of the Audit and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Brent Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Brent Pension Fund's management.

Fraud risk assessment

| Question | Management response |
|---|--|
| <p>1. Has Brent Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Brent Pension Fund's risk management processes link to financial reporting?</p> | <p>No concerns or issues have been identified in respect of fraud that may result in material misstatements to the financial statements.</p> <p>All known material risks are considered as part of our Internal Audit annual planning process. We also deliver a three-year rolling Key Financial Systems/controls programme of work.</p> |
| <p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p> | <p>Whereas all financial systems are inherently at risk of fraud, we are satisfied that there are currently none which exceed management's risk appetite.</p> <p>Additionally, Internal Audit work with management annually to identify all areas where independent assurance may be helpful. This includes identifying which key financial systems and processes should be included in the audit plan if there are any emerging risk factors.</p> |
| <p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Brent Pension Fund as a whole, or within specific departments since 1 April 2022? If so, please provide details</p> | <p>We have a Counter Fraud team who seek to prevent, detect and prosecute fraud. There are a number of fraud categories which we manage. Full details are online in our quarterly and annual reports available via the Council's website. A recent example is: Agenda item - Counter Fraud Interim Report 2022-23 (brent.gov.uk)</p> |

Fraud risk assessment

| Question | Management response |
|---|--|
| <p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p> | <p>Risk issues are reported in a broad number of ways, including:</p> <ol style="list-style-type: none"> 1) Quarterly Internal Audit and Counter Fraud progress reports are reported to CMT and the Audit and Standards Advisory Committee. 2) Internal Audit reports and Investigation reports are shared with all appropriate stakeholders and senior management. 3) The Head of Internal Audit (HIA) meets regularly on a 1:1 basis with the Chief Executive, Monitoring Officer, Director of Finance, and Chair and Vice Chair of the Audit Committee. Any risk issues are covered during these forums. 4) The HIA sits on the Council's Corporate Governance Group, and provides updates surrounding IA and counter fraud activities. |
| <p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Brent Pension Fund where fraud is more likely to occur?</p> | <p>Like all local authorities, fraud is a significant inherent risk to the Council. We have a counter fraud plan in place which seeks to detect and prevent fraud against the highest known fraud risks.</p> |
| <p>6. What processes do Brent Pension Fund have in place to identify and respond to risks of fraud?</p> | <p>Please refer to answers provided above.</p> |

Fraud risk assessment

| Question | Management response |
|---|---|
| <p>7. How do you assess the overall control environment for Brent Pension Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p> | <p>These functions are part of the overall corporate governance and risk management framework. Internal Audit provide independent assurance on the effectiveness of these arrangements via annual plan delivery and reporting to those charged with governance.</p> <p>Robust controls in place for all approvals with the way Oracle Cloud has been designed for the business and within Finance. System restrictions prevent non-compliance. Treasury Management activities follow strict procedures and controls which are reviewed by management regularly.</p> |
| <p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p> | <p>No areas are at elevated risk for misreporting, there are a range of controls in place, and the council's internal audit team monitor the effectiveness of controls across the council, and monitor implementation of action plans to address any risks identified.</p> |

Fraud risk assessment

| Question | Management response |
|--|---|
| <p>9. How does Brent Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p> | <p>This is undertaken via the Council's Anti-Fraud and Corruption policies (including Whistleblowing); fraud awareness programmes, Intranet/ Yammer communications; and induction processes. The Code of Conduct for officers and members states it is everyone's responsibility to report suspected fraud.</p> <p>The Council's Anti-Fraud and Corruption states:</p> <p><i>As an employee, agency staff, contractor, teacher or support staff in schools - If you suspect fraud or bribery in any of the council's or school's activities, either committed by a member of the public or a member of staff, you have a duty to inform the Audit and Investigations Team. You can either do this directly or via your manager.</i></p> |
| <p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p> | <p>Fraud is an inherent risk to any organisation and cannot immediately be specified to high-risk posts.</p> <p>Within finance, the highest risk areas are around changing supplier's and staff bank details, and making payments, and there are a range of controls in place to reduce risk of fraud and corruption including segregation of duties and procedures for approval.</p> |
| <p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p> | <p>Not aware of any related party relationships or transaction that could give rise to instances of fraud.</p> <p>The council requires members and staff to declare any potential conflicts of interest. Managers are required to monitor and approve or reject some declarations by their members of staff. Members' interests are declared to the monitoring officer and disclosed publicly.</p> |

Fraud risk assessment

| Question | Management response |
|---|---|
| <p>12. What arrangements are in place to report fraud issues and risks to the Audit and Standards Committee?</p> <p>How does the Audit and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p> | <p>Quarterly Internal Audit and Counter Fraud progress reports are reported to CMT and the Audit and Standards Advisory Committee. The Audit and Standards Advisory Committee questions the council's officers about these reports. These discussions are minuted and available via the council's website. Outcome is enhanced profile of the work of the counter fraud team.</p> |
| <p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p> | <p>We receive a large number of fraud referrals and allegations from both employees and other parties. Full details of which are published in our interim and annual counter fraud reports, available on the Council's democracy webpages.</p> |
| <p>14. Have any reports been made under the Bribery Act? If so, please provide details</p> | <p>No</p> |

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Standards Committee, is responsible for ensuring that Brent Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Standards Committee as to whether the council is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

| Question | Management response |
|---|---|
| <p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Brent Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the council's regulatory environment that may have a significant impact on the council's financial statements?</p> | <p>Management gain assurance in this area from the range of management controls in place to manage all services - e.g. including recruitment and training of appropriately qualified staff, a robust policy and procedure framework and effective management oversight and control. Legal and Financial implications are required to be included in all reports for decisions by Cabinet members and member level decision-making bodies as well as in all key decision report to officers. Additionally, independent and objective assurance is provided by the Internal Audit function as well as other external assurance providers. We are not aware of any changes to the Authority's regulatory environment that may have had a significant impact on the Authority's financial statements.</p> |
| <p>2. How is the Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p> | <p>The Internal Audit annual plan is the key source of assurance for ASAC. This plan is focused on the highest risk areas for the Council. Each Audit review will consider compliance with policy, plans, laws and regulation as part of the scope for that review.</p> |
| <p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p> | <p>No</p> |
| <p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p> | <p>No</p> |

Impact of laws and regulations

| Question | Management response |
|--|---|
| 5. What arrangements does Brent Pension Fund have in place to identify, evaluate and account for litigation or claims? | Claims will be evaluated on a case by case basis with support from the Council's internal legal team. |
| 6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details | None |

Related Parties

Matters in relation to Related Parties

Brent Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Brent Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the council, or of any body that is a related party of the council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the council's perspective but material from a related party viewpoint then the council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

| Question | Management response |
|---|--|
| <p>1. Have there been any changes in the related parties including those disclosed in Brent Pension Fund's 2021/22 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Brent Pension Fund whether Brent Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions | <p>At the time of writing no changes to the council's related parties have been identified, although the year end review of related parties is still in progress.</p> |
| <p>2. What controls does Brent Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p> | <p>Annual related parties return from Senior managers and Members where they'll disclose whether they have any related party transactions or relationship.</p> <p>All Members are required to submit register of interest</p> <p>Review of the GL transaction for related party transactions.</p> <p>Review process of the annual accounts (including review by the Director of Finance) to ensure related party relationship are captured.</p> <p>Staff are required to declare any conflicts of interest annually.</p> |
| <p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p> | <p>The Council's procurement policy ensure contracts are awarded to the most suitable bidder.</p> <p>In addition the Council has various internal control for approving transactions such as segregation of duty and authorisation levels.</p> |
| <p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p> | <p>The Council has various internal control for approving transactions such as segregation of duty and authorisation levels.</p> |

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 of accounting will apply where the body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

| Question | Management response |
|--|--|
| 1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Brent Pension Fund will no longer continue? | Management monitor industry announcements and collaborate with relevant stakeholders including the Fund Actuary, Investment Advisors, Fund Managers, London CIV, LPPA and officer forums. |
| 2. Are management aware of any factors which may mean for Brent Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they? | No |
| 3. With regard to the statutory services currently provided by Brent Pension Fund, does Brent Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Brent Pension Fund to cease to exist? | Yes - Brent Pension Fund expects to continue to deliver them for the foreseeable future |
| 4. Are management satisfied that the financial reporting framework permits Brent Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements? | Yes - management is satisfied the financial reporting framework permits Brent Pension Fund to prepare its accounts on a going concern basis and give a true and fair view of items in the accounts |

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

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

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

Specifically do Audit Committee members:

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

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

| Question | Management response |
|--|---|
| 1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures? | No significant additional accounting estimates |
| 2. How does the council's risk management process identify and address risks relating to accounting estimates? | Included in Corporate Risk Register and Internal Audit Reviews Where possible the Council would base our accounting estimates on external expert advice/opinion, such as investment managers and actuarial advisors. |
| 3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates? | Corporate Finance, SLT, Service DMTs and Audit Committee reviews Where relevant the Council would also receive guidance from external experts. |
| 4. How do management review the outcomes of previous accounting estimates? | Review of accruals made previously. Make improvements to accrual methodology based on this analysis. Sample checks of estimates and data received from external experts. |
| 5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these? | None |

Accounting Estimates - General Enquiries of Management

| Question | Management response |
|---|--|
| 6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates? | External advisors are engaged where this is usual practice or relevant. |
| 7. How does the council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts? | Senior finance management review all accruals. |
| 8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts? | Senior finance management review all accruals and estimates provided by any service providers/management experts. |
| 9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. | All material estimates will be reviewed and based on third party evidence and confirmations where possible. Further detail provided in Appendix A. |

Accounting Estimates - General Enquiries of Management


| Question | Management response |
|---|--|
| 10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they? | No |
| 11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable? | <ul style="list-style-type: none"> • Guidance and advice provided by advisors/external consultants and reviewed by finance team against the Accounting Code of Practice. • The Chief Accountant's team also provide technical guidance and training to the finance team. |
| 12. How is the Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ? | Through this process. |

Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|-------------------------------------|---|--|--|---|---|
| Actuarial PV of Retirement Benefits | The promised retirement benefits are projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. | Estimates are provided by the Fund actuary, Hymans Robertson | Hymans Robert son | The assumptions used are those adopted for the Administering Authority's IAS19 report. These assumptions will be supplied by the actuary at year end. | No |
| Level 2 investments | Asset valuations are provided by Northern Trust, the Fund's custodian on a monthly basis. | Estimates are provided by the Fund custodian Northern Trust | Northern Trust | Uncertainty for valuation is inherent for more illiquid asset classes. Estimates provided at fair value in line with the CIPFA code. | No |
| Level 3 investments | Asset valuations are provided by Northern Trust, the Fund's custodian on a monthly basis. | Estimates are provided by the Fund custodian Northern Trust | Northern Trust | Uncertainty for valuation is inherent for more illiquid asset classes. Estimates provided at fair value in line with the CIPFA code. | No |
| Contribution Accruals | Estimates based on amounts collected in previous months | Analysis of actual contributions received through the year. | No | Fairly certain – contributions are linked to staffing levels at a fixed % of payroll. | No |



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| | |
|---|--|
|  <p>Brent</p> | <p>Audit and Standards Advisory Committee 6th June 2023</p> <hr/> <p>Report from Corporate Director Finance and Resources</p> |
| <p>Internal Audit Annual Report 2022-23</p> | |

| | |
|---|---|
| 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 1 – Brent Council Internal Audit Annual Report 22-23 |
| 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 outlines the work undertaken by Internal Audit in respect of delivery of the 2022-23 Internal Audit Plan.
- 1.2 The report is intended to support the Audit and Standards Advisory Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by summarising delivery of the Internal Audit plan, updating on the performance of the function, highlighting areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.
- 1.3 The report also includes the Head of Internal Audit’s annual opinion on the Council’s system of internal control.

2. Recommendation

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

3. 2022-23 Internal Audit Annual Report

3.1 The Accounts and Audit Regulations 2015 require the Council to undertake an internal audit of its control systems, taking into account the Public Sector 2 Internal Audit Standards 2 (PSIAS). These require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:

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

3.2 The Internal Audit Annual Report for 2022-23 is found at Appendix 1, and covers the following sections:

- Section 2 – Internal Audit Independence and Objectivity
- Section 3 - Delivery of the 2022-23 Internal Audit Plan
- Section 4 – Summary of risks/issues identified
- Section 5 - Follow-up activity
- Section 6 - Head of Audit Opinion
- Section 7 - Quality Assurance and Improvement Plan
- Appendices:
 - A. Status and delivery of the 2022-23 Plan
 - B. Summary of audits completed in Q3-4 2022-23
 - C. Summary of follow-up activity

4. Financial Implications

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

5. Legal Implications

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

6. Equality Implications

None

7. Consultation with Ward Members and Stakeholders

None

Report sign off:

Minesh Patel

Corporate Director Finance and Resources

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Internal Audit Annual Report

Brent Council
2022-23

1. Introduction

- 1.1 This report outlines the work undertaken by Internal Audit in respect of delivery of the 2022-23 Internal Audit Plan.
- 1.2 The report is intended to support the Council's Management Team and the Audit and Standards Advisory Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by summarising delivery of the Internal Audit plan, updating on the performance of the function, highlighting areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

2. Internal Audit Independence and Objectivity

- 2.1 The Public Sector Internal Audit Standards (PSIAS) requires that the internal audit function must be independent and internal auditors must be objective in performing their work. To this end, the Chief Audit Executive (Head of Internal Audit) must confirm, at least annually, that the organisational independence of the internal audit function has been preserved.
- 2.2 The Head of Internal Audit is therefore pleased to report that there have been no actual or perceived 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 and all internal auditors have continued to receive unfettered access to senior management, officers and all information/records necessary to undertake our 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.
- 2.3 The PSIAS also requires that the Head of Internal Audit must report to a level within the organisation that allows the internal audit function to fulfil its responsibilities. The Head of Internal Audit now reports directly into the Corporate Director Finance and Resources (S151), following a Council-wide senior management reorganisation in Summer 2022. In line with usual practice, the Head of Internal Audit also continued to have direct access to the Chief Executive and the Chair and Vice-Chair of Audit and Standards Advisory Committee.

3. Delivery of the 2022-23 Plan

- 3.1 A risk-based Annual Internal Audit Plan for 2022-23 was approved by the Council's Management Team and Audit and Standards Advisory Committee in March 2022. The plan originally included a total of 35 audits, excluding follow-up reviews, school audits and advisory work. In addition, 14 audits were carried forward from 2021-22.
- 3.2 As in previous years, the plan remained fluid and was adjusted in-year, in consultation with senior management and auditees, to ensure that the plan continued to provide assurance against high risk areas and to respond to any

new or emerging risks/issues. To this end, nine audits were cancelled/deferred and an additional three audits were added to the plan.

- 3.3 A summary of the performance against the 2022-23 Internal Audit Plan is shown in the below table. A more detailed summary of the status and outcome of each audit review can be seen at **appendix A**.

| Summary of Internal Audit Activity <i>(as at 30 April 2023)</i> | Number | % |
|---|---------------|----------|
| ❖ Audits included in the 2022-23 plan | 35 | |
| ❖ Audits carried forward from 2021-22 | 14 | |
| ❖ (Audits cancelled/deferred) | (9) | |
| ❖ Additional audits added to the plan | 3 | |
| ❖ Total planned engagements for 2022-23 | 43 | |
| - Completed | 33 | 77% |
| - Draft report stage | 3 | 7% |
| - Fieldwork completed | 1 | 2% |
| - In progress | 6 | 14% |

- 3.4 **The following six audits remain in progress**, and it is anticipated that these will be completed by end Q1 2023-24:

- Information Governance – Data Breaches
- Key Financial Controls – Northgate
- Licensing
- Tenancy Management Organisation
- Better Care Fund
- Private Sector Property Licensing

- 3.5 **The following four audits have been carried forward** and will now be completed as part of the 2023-24 plan:

- Redefining Local Services Project (Integrated Street Cleansing, Waste Collections & Winter Maintenance Contract)
- Recruitment and Retention
- No Recourse to Public Funds (NRPF) and Intentionally Homeless
- Climate Change and Sustainability

- 3.6 **The following five audits were cancelled/deferred** (in agreement with senior management and auditees).

- Brent Commissioned Arrangements
- Oracle Programme - Phase 2
- Mental Health and Learning Disabilities
- Fire Safety
- Extended Follow-up Review - Use of Agency Workers

School Reviews

- 3.7 A programme of school audits is undertaken to provide assurance over the key governance arrangements and financial management controls in place within individual schools. Seven school audit reviews were scheduled to be carried-out as part of the 2022-23 plan, in addition to a follow-up review relating to an audit completed in 2021-22.
- 3.8 As at 30 April 2023:
- Five reviews have been completed;
 - The follow-up review is in progress;
 - Two reviews have been carried forward to 2023-24.

Advisory Work

- 3.9 Internal Audit continue to carryout consultancy and advisory work where required or requested. During the year, various pieces of advisory work have been undertaken, including:
- Annual Certificate of Expenditure - Brent River College
 - Funeral Service - Advice Request
 - Participatory Budgeting (Consultancy)
 - Grant certifications

4. Summary of Risks/Issues Identified

- 4.1 For each review undertaken, where gaps or weaknesses in the design and operation of controls are highlighted, or where opportunities for the further improvement/optimisation of controls are identified, recommendations are raised and agreed with management.
- 4.2 Findings and issues raised by Internal Audit (and therefore the resulting recommendations) are graded in terms of the associated level of risk. An indication of the level of assurance and confidence provided from an audit review is therefore gained by examining the number and level of issues identified.
- 4.3 The following definitions are used to inform these ratings:

| | |
|-----------------|---|
| Critical | A finding that could have a: critical impact on operational performance; critical monetary or financial statement impact; critical breach in laws and regulations that could result in material fines or consequences; and/or a critical impact on the reputation or brand of the organisation which could threaten its future viability. |
| High | A finding that could have a: significant impact on operational performance; significant monetary or financial statement impact; significant breach in laws and regulations resulting in significant fines and consequences; and/or a significant impact on the reputation or brand of the organisation. |

| | |
|---------------|---|
| Medium | A finding that could have a: moderate impact on operational performance; moderate monetary or financial statement impact; moderate breach in laws and regulations resulting in fines and consequences; and/or a moderate impact on the reputation or brand of the organisation. |
| Low | A finding that could have a: minor impact on the organisation's operational performance; Minor monetary or financial statement impact; minor breach in laws and regulations with limited consequences; and/or a minor impact on the reputation of the organisation. |

4.4 For work undertaken as part of the 2022-23 plan, Internal Audit raised a total of 108 issues. The below table summarises these against the four risk categories:

| Summary of risk issues raised: | 2022-23 | % | 2021-22 Comparator | % |
|--------------------------------|------------|-----|--------------------|-----|
| Total issues raised: | 108 | | 72 | |
| Critical risk | 0 | 0% | 0 | 0% |
| High risk | 17 | 16% | 10 | 14% |
| Medium risk | 70 | 65% | 49 | 68% |
| Low risk | 21 | 19% | 13 | 18% |

4.5 2021-22 figures have also been provided above for comparison purposes. However, whilst an increase or decrease in the number of risk issues raised per category may indicate an improvement or deterioration in the Council's internal control environment; there may also be a number of other factors behind this, including variations between the number and/or type of audit reviews that were completed in each year. In future iterations of this report, and as this table expands to incorporate additional years, it is anticipated that senior management and the Audit and Standards Advisory Committee will be able to track and monitor trends across a wider period.

4.6 In August and December 2022 the Audit and Standards Advisory Committee received internal audit progress reports summarising completion of work against the agreed plan. As part of these updates, details of any critical, high or medium risk issues raised was provided, alongside the responses and actions agreed by management/auditees. For audits completed since December 2022, a summary of issues identified and agreed with management can be seen at **appendix B**.

5. Follow-up Activity

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

5.2 During 2022-23, 20 follow-up reviews were completed, which sought to evidence that 177 actions had been implemented as agreed. Outcomes are summarised in the table below:

| Implementation Status | High Risk | Medium Risk | Low Risk |
|---------------------------------------|-----------|-------------|-----------|
| Total Actions: | 41 | 104 | 32 |
| Implemented: | 32 | 69 | 17 |
| Partially Implemented: | 7 | 27 | 14 |
| Not Implemented: | 2 | 4 | 1 |
| No longer relevant/superseded: | 0 | 4 | 0 |

5.3 Further details relating to the follow-up activity undertaken in 2022-23 can be seen at **appendix C**. It should be noted that follow-up outcomes included in this appendix are reported as at the time of concluding the follow-up review. As a result, owing to the time that may have elapsed since, the rate of implementation may have since changed. Internal Audit continue to review implementation of recommendations with Management, and in line with usual practice, will report any instances of persistent non-implementation of recommendations to the Committee.

Overdue actions

5.4 Where actions are found to remain partially or not implemented at follow-up, revised target dates are agreed with management. Outstanding actions are then monitored and reported via departmental 'action trackers', which are reported to Departmental Management Teams on a quarterly basis. These trackers contain all actions that relating to audits or follow-up work completed since 2021-22, including those that may not yet be due for implementation, or where a follow-up is in progress.

5.5. In order to identify actions as 'overdue', the following criteria is applied:

- a) Internal Audit has undertaken/completed a follow-up review;
- b) The actions were assessed as being partially or not implemented; and
- c) The revised target implementation date has elapsed.

5.6 Using the above criteria, we can report the following position of overdue actions as at 25th May 2023:

| | | |
|--|-----------|-----|
| Number of actions outstanding (past revised target dates) <i>as at 25 May 2023:</i> | 50 | |
| Critical risk | 0 | 0% |
| High risk | 7 | 14% |
| Medium risk | 41 | 82% |
| Low risk | 2 | 4% |

5.7 It should be noted that this is a live and ongoing process, and therefore the position of overdue actions changes on a daily/weekly basis. Internal Audit continues to liaise with management to close all outstanding actions. Engagement with management continues to be positive, and any issues regarding the persistent non-implementation of actions will be raised with the Audit and Standards Advisory Committee as appropriate.

6 Head of Internal Audit Opinion

6.1 The PSIAS require that the Head of Internal Audit (HIA) provides an annual opinion and report that can be used by the Council to inform its governance statement. The standards require that the annual opinion must conclude on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. In addition, CIPFA’s guidance on the *‘Role of the Head of Internal Audit in Public Service Organisations’* requires that the Head of Internal Audit’s overall opinion is objective and supported by sufficient, reliable, relevant, and useful information and evidence.

6.3 The HIA opinion in relation to the financial year 2022-23 is *‘Reasonable Assurance’*. The information and evidence supporting this opinion is set out in the paragraphs below.

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

Scope

6.4 The HIA opinion is primarily supported by the delivery of the 2022-23 Internal Audit plan (the plan), which was agreed by the Council Management Team and the Audit and Standards Advisory Committee in March 2022. It is provided for consideration in the Council preparing its Annual Governance Statement for 2022-23, which is published alongside its financial statements for the year ended 31 March 2023.

6.5 In considering the HIA opinion, the following limitations should be recognised:

- the plan does not purport to address all risks facing the Council, and instead represents a deployment of limited audit resource. The Council Management Team and the Audit and Standards Advisory Committee acknowledged these limits in approving the plan;
- Assurance can never be absolute and neither can internal audit work be designed to identify or address all weaknesses that might exist;
- The responsibility for maintaining adequate and appropriate systems of internal control resides with management, and not Internal Audit.

Reliance on work undertaken

- 6.6 The 2022-23 plan was aligned to the Council's Strategic Risk Register and corporate priorities. In addition, Internal Audit undertook an independent risk assessment and consulted with senior management to identify significant risks and to gain an understanding of the Council's assurance needs. As a result, the audits included on the plan focussed on areas with a high assurance requirement.
- 6.7 In-year, the plan has been delivered by a skilled and experienced in-house team, supported and complemented through the use of a co-sourced provider, PwC, who provide access to skills and specialisms, including IT audit. As detailed in section 7 of this report, the Internal Audit was subject to an External Quality Assessment in-year, which evidenced and confirmed conformance with the PSIAS.
- 6.8 No specific reliance has been placed on external sources of assurance in forming the HIA opinion.

Basis of opinion

- 6.9 The HIA opinion is supported by the wider contents of this report. A total of 37 reviews have been delivered in-year, including eight reviews that sought to provide assurance on the effectiveness of the controls and mitigating actions in place pertaining to the Council's strategic risks. A further four audits focussed on the effectiveness and robustness of the Council's key financial systems. In addition, a number of audits also focussed on providing assurance over key departmental and service level risks (as indicated within departmental risk registers).
- 6.11 No critical risk issues/concerns were identified in delivery of the plan. 17 high-risk issues have been raised within individual audit reviews; however, in the main, where weaknesses were identified during individual audits, these were not considered to be significant, in aggregate, to the Council's overall governance arrangements and system of internal control.
- 6.12 A number of pieces of unplanned/additional work was also undertaken at the request of management. This demonstrates a willingness on the part of management to proactively seek Internal Audit advice in relation to the

improvement of controls and risk management, outside the delivery of the audit plan.

- 6.13 Internal Audit has also continued to closely monitor management's implementation of recommendations and actions arising from audit reviews. Of the 41 high risk actions subject to a formal follow-up review in 2022-23, 31 (78%) were found to have been implemented within agreed target dates, with a further 7 (17%) actions partially implemented and only 2 (5%) actions not implemented.

Other considerations

- 6.14 In addition to the outcomes of the 2022-23 plan, in reaching the HIA opinion, the following was also considered:
- The HIA is satisfied that the Council's framework of governance for the year ended 31 March 2023 complies in all material respects with guidance on proper practices as set out the CIPFA/SOLACE publication "Delivering Good Governance in Local Government (2016)".
 - The Council's risk awareness and risk culture has continued to improve in 2022-23. Overall, there is a good awareness of the Council's risk management framework and strategic risks, although further work is necessary to enhance the quality and completeness of risk registers at a departmental and service level.

Areas for improvement

- 6.15 In determining the annual opinion, the HIA has also considered any key themes or issues emanating from audit work undertaken in 2022-23, and/or any areas where enhancements can be made to the Council's governance, risk management and internal control frameworks. The following observations were noted:

'Second line' gaps in control

- 6.16 Where *gaps* in control were identified by Internal Audit, these were generally found to be in relation to the Council's 'second line' (of defence). In brief, the 'first line' is the provision of services and the application of an internal control framework to manage associated risks; and 'second line' responsibilities include the monitoring, reporting and challenge of the effectiveness of 'first line' functions. The 'third line' is the independent and objective assurance provided by Internal Audit.
- 6.17 For example, during the audit review of contract management it was identified that there was a lack of oversight, at a strategic/corporate level, to obtain regular assurance regarding the (devolved) contract management of strategically important contracts. In addition, Internal Audit have continued to report 'second line' gaps in relation to the monitoring and reporting of the Housing Compliance. As reported to the Audit and Standards Advisory Committee in [December 2022](#), six high risk issues were raised in relation to the monitoring, reporting and oversight of health and safety compliance.

- 6.19 It should be acknowledged that positive steps and actions have been taken in both instances to address the risks/issues identified. However, the issue regarding the 'second line' gaps in control was raised within the HIA opinion for 2021-22, and audit work undertaken in 2022-23 indicate that further work is required to improve the effectiveness of the Council's second line of defence.

Implementation of audit recommendations/actions

- 6.20 As identified above, we noted a positive rate of implementation of high risk actions. Whilst this is pleasing, it was found that only 69 of the 104 (66%) medium risk actions had been implemented. This suggests that further effort is required to implement all actions within agreed timescales to ensure that the risks identified during the original audit are appropriately mitigated.

Policies and procedures

- 6.21 Whilst relatively insignificant in terms of risk, we again noted that policies and procedures were often absent or outdated, and as such, roles and responsibilities were not always clearly defined/outlined.

Conclusion

- 6.22 In summary, the Head of Internal Audit is satisfied that the work undertaken by Internal Audit during 2022-23, as well as wider governance arrangements, has enabled an opinion to be formed on the Council's control framework, risk management and governance arrangements.
- 6.23 Internal Audit will continue to monitor the issues identified above and, where relevant, will provide support and guidance to help aid improvements.

7 Quality Assurance and Improvement Programme

- 7.1 The PSIAS require the HIA to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of internal audit activity. Internal Audit has therefore developed a QAIP that is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

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

External Assessments

- 7.3 The PSIAS require an external quality assessment (EQA) be undertaken at least every five years. As reported to the Audit and Standards Advisory Committee in February 2023, a review of Internal Audit's performance at the London Borough of Brent was undertaken in Q3-4 2022-23. The assessment was led the Head of Internal Audit for the London Borough of Barnet.
- 7.4 The assessment found that the Internal Audit Service **Generally Conforms** with the PSIAS, which is the highest available level of assessment for local authorities. Furthermore, the assessment of the compliance against the PSIAS found that Internal Audit conformed with each individual standard. A total of 10 good practice recommendations, which did not impact on conformance with the PSIAS, were raised by the assessors. An updated action plan will be reported to the Audit and Standards Advisory Committee in 2023-24, as appropriate.
- 7.5 Five areas of notable practice were also highlighted, where the activity of the Internal Audit Service reflected current best practice. 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. The full report can be seen [here](#).






Internal Assessments

- 7.6 In accordance with the PSIAS, internal quality and performance assessments are undertaken through both on-going and periodic reviews. On-going assessments are conducted as a matter of course, in-line with the service's protocols and audit methodology. These assessments include: management supervision of audit activity, the application of a consistent audit methodology across audits, regular 1:2:1s between audit management and auditors to review and monitor performance, and the review and approval of all outputs by the Audit Manager and HIA.
- 7.7 Regular periodic assessments are also undertaken during the year to monitor and measure the impact of, and value added by the delivery of the annual audit plan. A key aspect of these assessments comprises of the quarterly progress reports presented to the Audit and Standards Advisory Committee, which summarise progress against the annual plan and key outcomes of audit activity. Furthermore, an annual assessment is undertaken in drafting the annual audit plan, which is aligned to the Council's Strategic Risk Register to ensure that the work of internal audit centres around the key risks that threaten the achievement of corporate objectives.
- 7.8 Other periodic assessments include (but are not limited to):
- annual self-assessments to ensure conformance with the PSIAS;
 - regular feedback from senior management and Council Management Team
 - benchmarking with other London Borough internal audit services, via the Cross Council Assurance Service and London Audit Group.

7.9 In summary, the Head of Internal Audit is confident that the Internal Audit function has continued to comply and conform with the PSIAS during 2022-23.

Key Performance Indicators

7.10 To complement and inform the ongoing and periodic assessments detailed above, Key Performance Indicators (KPIs) have been defined to measure the performance of the internal audit service. Achievement scores against each of these KPIs for 2022-3 are set out in the table below:

| KPI | Details | Achievement (RAG) | Comments |
|-------------|---|--|--|
| KPI1 | 90% of the Annual Internal Audit Plan completed by 31 March (conclusion of fieldwork) |  Partially Met | 74% of Plan completed by 31 March. |
| KPI2 | 100% of the Annual Internal Audit Plan completed by 30 April (conclusion of fieldwork) |  Partially Met | 86% of Plan completed by 30 April. |
| KPI3 | 100% acceptance of all Critical and High risk recommendations |  Met | 100% acceptance of all High risk recommendations (no Critical recommendations). |
| KPI4 | Follow-up of all Critical and High risk recommendations within (at least) 12 months of the final report being issued. |  Met | 20 follow ups completed and seven in progress. 100% of recommendations followed up within 12 months of final report. |
| KPI5 | 90% of client satisfaction surveys rated the service as good or better. |  Met | 8 forms returned. 23% very satisfied and 69% satisfied. |

Appendix A – Status and delivery of 2022-23 Plan

| Audit / Indicative Scope (as per 2022-23 Plan) | Status | Summary of issues | | | Comments |
|---|------------------|-------------------|-------------|----------|--|
| | | High Risk | Medium Risk | Low Risk | |
| <p>ASC Budget Monitoring</p> <p><i>A risk based review to provide assurance over the effectiveness of the controls in place in Adult Social Care to ensure the effective monitoring and managing of budgetary spend including the governance and monitoring controls in place regarding the Savings Programme.</i></p> | Completed | | 2 | 1 | <i>Outcomes reported to the Committee in August.</i> |
| <p>Flexible Working</p> <p><i>A risk based review to provide assurance provide assurance over the design of the controls and the processes in place to manage and monitor the objectives of the flexible working strategy. The review focused on assessing the effectiveness of controls across a number of key areas, including Flexible working strategy and the remote working.</i></p> | Completed | | 1 | 3 | <i>Outcomes reported to the Committee in August.</i> |
| <p>Council Companies and Governance Review</p> <p><i>A risk based review to provide assurance on the governance and monitoring arrangements the Council has in place, including review of the companies' financial information, performance reports and KPI reporting. The review focused on assessing the effectiveness of controls across a number of key areas, including governance arrangements, financial management, performance Management and reporting.</i></p> | Completed | | 5 | | <i>Outcomes reported to the Committee in August</i> |
| <p>Equality Strategy</p> <p><i>A risk based review to provide assurance on the robustness and adequacy of the controls and governance arrangements in place surrounding the delivery and development of the Equalities Strategy and Action Plan. The review focused on assessing the effectiveness of controls across a number of key areas, including Equality Strategy Governance, Equality Strategy Action Plan Development, and Equality Strategy Progress Monitoring.</i></p> | Completed | | 3 | | <i>Outcomes reported to the Committee in August.</i> |
| <p>Key Financial Controls</p> <p><i>The audit was designed to identify, review, and assess the control design and test the operating effectiveness of key financial controls operating within the Council for five sub-processes: General Ledger (GL); Purchase-to-Payment (P2P); Accounts Receivable (AR); Payroll; and Fixed Assets.</i></p> | Completed | | 2 | 8 | <i>Outcomes reported to the Committee in August.</i> |

| Audit / Indicative Scope (as per 2022-23 Plan) | Status | Summary of issues | | | Comments |
|---|------------------|-------------------|-------------|----------|---|
| | | High Risk | Medium Risk | Low Risk | |
| I4b Health and Safety Compliance <i>The objective of this audit was to review the effectiveness of the controls in place in relation to health and safety and compliance.</i> | Completed | | | | <i>Outcomes reported to the Committee in September (as part of the i4b and FWH performance report).</i> |
| FWH Health and Safety Compliance <i>The objective of this audit was to review the effectiveness of the controls in place in relation to health and safety and compliance.</i> | Completed | | | | |
| Brent Housing Management Housing Compliance <i>The objective of this audit was to review the effectiveness of the controls in place in relation to health and safety and compliance.</i> | Completed | 6 | 1 | | <i>Outcomes reported to the Committee in December.</i> |
| Debt Management <i>A risk based review to provide assurance on the effectiveness and robustness of the control environment relating to the Council's arrangements for Debt Management. The review focused on assessing the effectiveness of controls across a number of key areas, including Policies and Procedures; Write Offs; Approvals and Management Information and Reporting.</i> | Completed | 1 | 2 | | <i>Outcomes reported to the Committee in December.</i> |
| Fostering <i>A risk based review to provide assurance on the effectiveness and robustness of the control environment relating to the arrangements in place around the strategic administration of providing a local authority fostering service. The audit focused on the following sub-processes: Payments; Training, Support and monitoring; Vetting; and Reporting.</i> | Completed | | 4 | | <i>Outcomes reported to the Committee in December.</i> |
| Annual Certificate of Expenditure - Brent River College (Additional Request) <i>Internal Audit acted as an independent examiner and reviewed Annual Certification of Expenditure for Brent River College for 2021-22.</i> | Completed | n/a | n/a | n/a | n/a |
| Barham Park Accounts <i>To provide an independent examination and review of the Barham Park Trust ("the Trust") 2021-22 accounts.</i> | Completed | n/a | n/a | n/a | n/a |
| Funeral Service (Additional Request) <i>Risk/control advice and support provided.</i> | Completed | n/a | n/a | n/a | n/a |

| Audit / Indicative Scope (as per 2022-23 Plan) | Status | Summary of issues | | | Comments |
|--|------------------|-------------------|-------------|----------|---------------------------------|
| | | High Risk | Medium Risk | Low Risk | |
| <p>Purchasing Cards</p> <p><i>Advisory review in relation to the use of purchasing cards. The objective of the review is to provide assurance that purchasing cards are used only in accordance with Council policy and that the control framework is efficient and effective in ensuring the risk of inappropriate spend, fraud or loss is mitigated.</i></p> | Completed | 2 | 7 | | Outcomes reported in Appendix B |
| <p>Housing Voids</p> <p><i>Advisory review. The objective of the review was to provide assurance that the voids management process and control framework is operating efficiently and effectively in ensuring the risk of inappropriate spend, fraud or loss is mitigated.</i></p> | Completed | 1 | 6 | 1 | Outcomes reported in Appendix B |
| <p>Building Control Finance</p> <p><i>A risk based review to provide assurance on the design and operating effectiveness of key controls in place around building controls income management arrangements.</i></p> | Completed | 1 | 4 | | Outcomes reported in Appendix B |
| <p>Contract Management</p> <p><i>A risk based review to provide assurance that the Council's contract management arrangements are operating robustly and effectively to ensure that major and operational contracts are delivered in accordance with agreed definitions.</i></p> | Completed | 2 | 3 | | Outcomes reported in Appendix B |
| <p>Demand For Services</p> <p><i>A risk based review to provide assurance over strategies in place to mitigate the departmental risk of the level of demand for services growing beyond the services' ability to manage effectively. This is specifically in respect of the effectiveness of the control framework and arrangements in place around the delivery of Brent Family Front Door CYP services.</i></p> | Completed | | 3 | | Outcomes reported in Appendix B |
| <p>Grant Management</p> <p><i>A risk based review is to provide assurance on the effectiveness and robustness of the control framework around the Council's arrangements for grant management.</i></p> | Completed | | 2 | 1 | Outcomes reported in Appendix B |
| <p>Large Event Day Management</p> <p><i>A risk based review of Large Event Day Management to provide assurance on the effectiveness and robustness of the control framework around governance arrangements, planning, communications and licensing/enforcement.</i></p> | Completed | | 9 | 1 | Outcomes reported in Appendix B |

| Audit / Indicative Scope (as per 2022-23 Plan) | Status | Summary of issues | | | Comments |
|---|------------------|-------------------|-------------|----------|---|
| | | High Risk | Medium Risk | Low Risk | |
| Cyber Security – Website Review <i>A risk based review to evaluate the capability that exists to recover the Council's website in the event of an outage.</i> | Completed | 3 | 1 | 1 | Outcomes reported in Appendix B |
| Financial Management Code <i>A risk-based review to assess compliance with CIPFA's Financial Management Code including progress against implementation of the code, strategy, communication, benefits realisation, monitoring and reporting.</i> | Completed | | 1 | | Outcomes reported in Appendix B |
| You Decide / Participatory Budgeting (Additional Request) <i>Advisory review to provide consultancy and advice support to management to assist with the identification and management of risks associated with the You Decide Participatory Budgeting programme.</i> | Completed | 1 | 5 | | Outcomes reported in Appendix B |
| IT Service Management Maturity Workshop <i>To assess the current capacity and maturity of the Council's IT Service Management components within the Target Operating Model, focusing on Governance and Assurance, and Support and End User Devices (EUDs) capabilities.</i> | Completed | n/a | n/a | n/a | Outcomes reported in Appendix B |
| Property Valuations <i>A risk based review review of the key controls in place to provide assurance over processes and risks associated with property valuations.</i> | Completed | | 3 | 2 | Outcomes reported in Appendix B |
| Digital Strategy <i>Programme assurance regarding the design and delivery of the Council's Digital Strategy within the Digital Place theme to ensure it supports and enables the achievement of the Council's strategic goals.</i> | Completed | | 2 | 3 | Outcomes reported in Appendix B |
| Housing Compliance – Extended Follow-up <i>Extended follow-up review of the recommendations raised in the Internal Audit review of Housing Compliance undertaken in January 2022.</i> | Completed | | 4 | | Outcomes reported in Appendix B |
| Grant Certifications <i>To undertake grant certification where required.</i> | | n/a | n/a | n/a | Three grant certifications completed. |
| Income Management Strategy (Additional Request) | Completed | n/a | n/a | n/a | Resource diverted to providing advice and guidance on revised |

| Audit / Indicative Scope (as per 2022-23 Plan) | Status | Summary of issues | | | Comments |
|---|----------------------------|-------------------|-------------|----------|--|
| | | High Risk | Medium Risk | Low Risk | |
| <i>Advisory review to provide consultancy and advice support to management to assist with the identification and management of risks associated with the Income Management Strategy.</i> | | | | | billing and payments process and guidance. |
| Procurement <i>A risk based review of Procurement to focus on areas of key risk.</i> | Completed | n/a | n/a | n/a | Resource diverted to providing advice and support on design of controls around contract management. |
| Public Health <i>A risk based review of Public Health to focus on areas of key risk.</i> | Completed | n/a | n/a | n/a | Resource diverted to conducting Public Health risk workshop and risk management support. |
| Income and Debt Management <i>A risk based review to consider key areas of risk including, refunds, suspense accounts, reconciliations, management information, reporting and adequacy of debt management.</i> | Completed | n/a | n/a | n/a | Resources diverted to advice and consultancy on specific areas of debt management risk following issues raised in other reviews. |
| FWH/i4B <i>Audit plan to be agreed separately with FWH/i4B. Audits to focus on areas on high risk and to include follow-up of recommendations raised in 2021-22 reviews.</i> | Completed | n/a | n/a | n/a | Resources diverted to follow up of actions raised in Housing Compliance Review and providing support and guidance on issues raised in Voids audit. |
| Capital Programme <i>A risk based review of the Council's Capital Programme. The scope to consider governance arrangements, strategy, planned savings, budgeting, approvals, risk management, monitoring and reporting.</i> | Draft Report Issued | | | | Outcomes to be reported to Committee in next update 2023-24 |

| Audit / Indicative Scope (as per 2022-23 Plan) | Status | Summary of issues | | | Comments |
|---|----------------------------|-------------------|-------------|----------|---|
| | | High Risk | Medium Risk | Low Risk | |
| Financial Strategy/Savings Programme <i>A risk based review of Financial Strategy/Savings Programme. The scope to consider governance arrangements, planning, targets, monitoring and reporting.</i> | Draft Report Issued | | | | Outcomes to be reported to Committee in next update 2023-24 |
| Key Financial Controls – Payroll <i>A risk based review of key financial controls.</i> | Draft Report Issued | | | | Outcomes to be reported to Committee in next update 2023-24 |
| Family Wellbeing Centres <i>A risk based review of Family Wellbeing Centres. Scope to include governance arrangements, performance management and reporting.</i> | Fieldwork Completed | | | | Outcomes to be reported to Committee in next update 2023-24 |
| Information Governance – Data Breaches <i>A risk based review of the arrangements in place to prevent, identify and report data breaches. Scope includes: policies and procedures, ICO reporting arrangements, training and awareness, and lessons learned.</i> | In progress | | | | Outcomes to be reported to Committee in next update 2023-24 |
| Private Sector Property Licensing <i>A risk based review of Private Sector Property Licensing. Scope to include applications, processing, approvals, income management and performance monitoring arrangements.</i> | In progress | | | | Outcomes to be reported to Committee in next update 2023-24 |
| Key Financial Controls – Northgate <i>A risk based review of key financial controls.</i> | In progress | | | | Outcomes to be reported to Committee in next update 2023-24 |
| Better Care Fund <i>A risk based review of the governance arrangements in place for the Better Care Fund. Scope to include financial reporting and performance management.</i> | In progress | | | | Outcomes to be reported to Committee in next update 2023-24 |
| Tenancy Management Organisation (Establishment Review) <i>A risk based and deep-dive review into a tenancy management organisation (TMO).</i> | In progress | | | | Outcomes to be reported to Committee in next update 2023-24 |

| Audit / Indicative Scope (as per 2022-23 Plan) | Status | Summary of issues | | | Comments |
|--|----------------------------|-------------------|-------------|----------|---|
| | | High Risk | Medium Risk | Low Risk | |
| Licensing <i>A risk based review of Licensing. The scope to consider governance arrangements, licence applications and decisions, fees, inspections, breach of licence conditions, and management/performance information.</i> | In progress | | | | Outcomes to be reported to Committee in next update 2023-24 |
| Recruitment and Retention <i>A risk based review of the Council's recruitment and retention strategy and policies/procedures. Scope to provide assurance over the mitigating actions in place surrounding this area of strategic risk.</i> | Deferred to 2023/24 | | | | Review deferred to 2023-24 at management request. |
| Climate Change and Sustainability <i>Programme assurance regarding the delivery of the Council's climate change strategies and action plan.</i> | Deferred to 2023/24 | | | | Review deferred to 2023-24 at management request. |
| Redefining Local Services Project (Integrated Street Cleansing, Waste Collections & Winter Maintenance Contract) <i>To provide internal audit risk/control support, where required.</i> | Deferred to 2023/24 | | | | Review deferred to 2023-24 at management request. |
| No Recourse to Public Funds (NRPF) and Intentionally Homeless <i>A risk based review of the NRPF process. Scope to include governance arrangements, acceptance process, screening, financial support and property procurement.</i> | Deferred to 2023/24 | | | | Resources diverted to other work. |
| Oracle Programme - Phase 2 <i>Ongoing risk-control support.</i> | Cancelled | | | | Review no longer required. |
| Extended Follow-up Review - Use of Agency Workers <i>Extended follow-up review of recommendations previously raised in this area.</i> | Cancelled | | | | Review deferred to 2023-24 |
| Mental Health Disabilities <i>A risk-based review of governance arrangements in place for mental health disabilities care.</i> | Cancelled | | | | Review deferred to 2023-24 |

| Audit / Indicative Scope (as per 2022-23 Plan) | Status | Summary of issues | | | Comments |
|--|------------------|-------------------|-------------|----------|--|
| | | High Risk | Medium Risk | Low Risk | |
| <p>Brent Commissioned Arrangements <i>A risk based review of the commissioning arrangements and dynamic purchasing vehicles (in accordance with Brent's commission placements and in collaboration with West London Alliance).</i></p> | Cancelled | | | | Resources diverted to other work. |
| <p>Fire Safety <i>A risk based review of fire safety arrangements to include I4B and FWH at each stage.</i></p> | Cancelled | | | | Fire Safety included as part of Housing Compliance work. |

Appendix B – Summary of audits completed in Q4 2022-23

| Audit Title | Summary of Key Findings |
|---|---|
| <p>Purchasing Cards</p> <p><i>Indicative Scope:</i> a risk based review to provide assurance that purchasing cards are used only in accordance with Council policy and that the control framework is efficient and effective in ensuring the risk of inappropriate spend, fraud or loss is mitigated.</p> <p>The review focused on assessing the effectiveness of controls across a number of key areas, including:</p> <ul style="list-style-type: none"> • Procedural guidance and training; • Administration of new cards; • Expenditure; • Monitoring and • Management of existing cards. | <p>There were two high and seven medium risk issues raised:</p> <p>High-risk issues:</p> <p>1) A backlog of uncoded and/or unapproved purchases. For transactions made between October 2019 and November 2021, 1,134 purchases amounting to £189k were uncoded. A further 674 purchases, amounting to £196k were pending approval from a Line Manager (as of December 2022).</p> <p><i>Management Response: : Internal Audit were informed of this by Finance in 2021-22 and their advice sought on how best to address this issue. It was addressed in 2021-22 as had been planned before the advice of Internal Audit was sought on how to address this issue. .Any uncoded transactions at the end of the month are coded by the Chief Accountant’s team to ensure that they are recorded in the ledger. First draft of a policy to be drafted and shared with the Deputy Director of Finance which will include a note on how approving/coding is expected to be conducted.</i></p> <p>2) Due to the backlog of uncoded and/or unapproved purchases, as well as issues surrounding recording of transactions within the General Ledger (due to a change in subjective code as a result of implementation to Oracle Cloud), departmental budgets/ cost centres are currently inaccurate.</p> <p><i>Management Response: Internal Audit were informed of this by Finance in 2021-22 and their advice sought on how best to address this issue. This was addressed in 2021-22 as had been planned before the advice of Internal Audit was sought on how to address this issue. The backlog of PFS transactions due to a change in subjective code have been cleared and all payments made using the GPC and PFS card are now charged to the respective departmental budgets. All respective cost centre managers are regularly reminded of any payments incurred with prepaid cards to facilitate adequate oversight over budgets.</i></p> <p>Medium-risk issues:</p> <p>3) A number of transactions sampled did not have sufficient supporting documentation to evidence legitimacy of spend and to ensure that all purchases are in line with Council policies and represent value for money.</p> <p><i>Management Response: First draft of a policy to be drafted and shared with the Deputy Director of Finance– which will include notes to address the recommendations. The purpose of cards will be reviewed and will be defined by this policy.</i></p> <p>4) There is a lack of monitoring around the allocated credit limit and monthly spend for cardholders.</p> |

| Audit Title | Summary of Key Findings |
|---|--|
| | <p><i>Management Response: Annual Review to be completed in March whereby cardholder spend is reviewed and will be reduced if agreed criteria are met.</i></p> <p>5) Only 14% of PFS card transactions relate to direct payments, cash withdrawal and BACS payments. All other transactions were purchases made via telephone, online or at a shop. Purchases via telephone, online or at a shop can be made using GPC cards. Considering the ease of use and effective monitoring controls available for GPC, the Council should aim to minimise the number of PFS cards in circulation.</p> <p><i>Management Response: GP Card is promoted with new card requests. PFS cards are given only to staff in exceptional circumstances, as defined in the new policy, where a GPC card is not appropriate; funds returned from existing PFS cards issued to staff.</i></p> <p>6) There is a lack of effective recording of VAT incurred with purchases using the prepaid cards. Therefore, the Council may be forfeiting the re-claiming of VAT.</p> <p><i>Management Response: Guidance document to be updated which will include points to address the recommendations.</i></p> <p>7) Monthly expenditure forms for PFS are not promptly submitted to Finance for monitoring. In addition, a monitoring tracker is not in place to ensure the submission of expenditure forms.</p> <p><i>Management Response: A note on expenditure logs to be included in the previously mentioned guidance documents and will include what will happen in the event of non-compliance. A monitoring document to be created which will keep record of who isn't submitting their expenditure logs.</i></p> <p>8) Up-to-date guidance and application forms are not in place for both PFS and GPC cards.</p> <p><i>Management Response: Guidance to be updated and circulated.</i></p> <p>9) There is currently no regular reporting to Senior Management regarding the use of PFS or GPC cards.</p> <p><i>Management Response: Monthly update pack to be completed and presented as part of the reconciliation meetings which are held monthly.</i></p> |
| <p>Housing Voids <i>Indicative Scope:</i> a risk based review to provide assurance that the voids management process and control framework is operating efficiently and</p> | <p>We raised one high, five medium and one low risk issue. High- risk issue:</p> |

| Audit Title | Summary of Key Findings |
|--|--|
| <p>effectively in ensuring the risk of inappropriate spend, fraud or loss is mitigated.</p> <p>This review sought to provide assurance over the following sub-processes and control objectives:</p> <ul style="list-style-type: none"> • Policies and procedures • Notice period and pre-inspection • Repairs • Post repair inspection and re-let • Monitoring and reporting. | <p>1) Inconsistencies and a lack of clarity in the calculation of voids KPIs. There were significant variances in the voids and contractor turnaround days calculated by CRM, in comparison with our calculations.</p> <p><i>Management Response: The Council will ensure that:</i></p> <ul style="list-style-type: none"> • <i>KPIs are SMART (Specific, Measurable, Attainable, Relevant and Time-Bound) against which to monitor performance;</i> • <i>KPIs and their metrics are clearly defined and accurately calculated within CRM;</i> • <i>Where KPIs are not consistently met, an appropriate action plan should be put in place to address any under-performance.</i> <p>Medium-risk issues:</p> <p>2) Inconsistencies were identified in the recording and retention of supporting documentation within the CRM shared drive, resulting in the absence of an effective audit trail.</p> <p><i>Management Response: The Council will ensure that:</i></p> <ul style="list-style-type: none"> • <i>All staff members are provided training to promptly update CRM for each void property.</i> • <i>All relevant documents are uploaded into CRM and/or SD to aid an adequate audit trail.</i> • <i>All work orders, along with approvals and variances are promptly uploaded into the CRM.</i> • <i>Spot checks are conducted on a periodic basis to ensure CRM is updated for all void properties.</i> <p>3) There is an absence of formally defined minimum lettable standards for all Council properties:</p> <p><i>Management Response: Management will ensure that:</i></p> <ul style="list-style-type: none"> • <i>Minimum lettable standards are created and approved by relevant Senior Management.</i> • <i>Once approved, standards will be uploaded to the Council's website to be accessed by residents.</i> • <i>The minimum lettable standards will be provided to all contractors to ensure that all properties are repaired to an acceptable standard.</i> <p>4) Where repairs are caused due to misuse, abuse or accidental damage, the cost of repairs and maintenance are not always re-charged to the previous tenant(s), leading to financial loss for the Council.</p> <p><i>Management Response: Management will consider implementing the re-charge policy for repairs due to damage or misuse.</i></p> |

| Audit Title | Summary of Key Findings |
|---|---|
| | <p>5) Variances or discrepancies within the work order specifications are not always promptly clarified.</p> <p><i>Management Response: Management will ensure that:</i></p> <ul style="list-style-type: none"> • Initial and final work orders are examined and approved by management. • All variances are thoroughly examined and approved prior to the completion of repairs • Final work specification should be approved prior to the payment of the invoice. <p>6). Absence of adequate contracts or agreements in place with contractors</p> <p><i>Management Response: The Council will ensure that formal extensions of the contractual agreements are in place with all void repair contractors. The contracts should include the following:</i></p> <ul style="list-style-type: none"> • Formally agreed KPIs • Regular contractual meetings • Penalties for failing to meet the agreed KPIs • Responsibilities of the Council and the contractors |
| <p>Building Control Finance</p> <p><i>Indicative Scope:</i> to provide assurance on the design and operating effectiveness of key controls in place around Building Control income management arrangements.</p> <p>This audit provides assurance over the following sub-processes and control objectives and focused on controls in place to mitigate potential key risks:</p> <ul style="list-style-type: none"> • Governance arrangements | <p>We raised one high and four medium risk issues.</p> <p>High- risk issue</p> <p>1) Inconsistencies and delays were noted in the management of Building Control fees. Invoices are not sent to the applicant alongside invalidation letters, which leads to payments that are not matched with invoices.</p> <p><i>Management Response: Building Control will ensure that:</i></p> <ol style="list-style-type: none"> a) Where required, invalidation letters requesting payment of fees will be sent to the payee along with a copy of the invoice. b) Where invoices are raised for outstanding fees, the wording within the invalidation letters will be amended to ensure that it does not prompt payees to pay using the Building Control reference number. c) Staff will ensure that the applicant has not paid via the portal, citing the Building Control reference number, prior to raising an invoice, thereby eliminating any duplication. |

| Audit Title | Summary of Key Findings |
|---|--|
| <ul style="list-style-type: none"> • Income Management • Reporting. | <p>d) <i>A monthly reconciliation of income due and income received to Building Control will be undertaken to identify any instances of unallocated income, where payments have not been matched to the invoice raised. Where payments have been made, a credit note should be raised to offset the invoice.</i></p> <p>Medium-risk issues</p> <p>2) There are a lack of effective controls within Acolaid to avoid duplicate invoices for the same payments/applications, leading to inflated budgets and credit notes.</p> <p><i>Management Response:</i></p> <p>a) <i>Acolaid is now already being updated with payments received via Customer Service or the online portal. The monitoring of invoices raised will continue. As part of our continued efforts to improve this area, when invoices are raised, a screenshot is recorded on Acolaid in the fee notes, thus eliminating the risk of duplication and the requirement for Credit Notes to be issued.</i></p> <p>b) <i>A report of raised invoices will be run to check if Accounts Receivable have executed invoice instructions without duplication.</i></p> <p>3) Invoices and credit notes are raised with significant delays (i.e. in excess of two years in one instance), which leads to distorted budgets and lack of effective monitoring.</p> <p><i>Management Response: Building Control accepts that there are no fixed targets in getting invoices raised / sent out and will look to develop the targets and include in its performance returns. Since January 2022, invoices are only being raised for Major Project type applications. These will be raised within seven days of management instructions as and when the projects come to key invoicing milestones.</i></p> <p>4) There are a number of outstanding payments from historic applications, which have not been invoiced or chased.</p> <p><i>Management Response:</i></p> <p>The Council will ensure that:</p> <p>a) <i>All outstanding payments as per Acolaid system will be invoiced and sent to the payee promptly.</i></p> <p>b) <i>All outstanding debts should be notified to the Debt Recovery team to be monitored and chased.</i></p> <p>c) <i>A report of all outstanding (non-invoiced) payments from Acolaid system will be examined on a regular basis to promptly highlight any debts.</i></p> <p>5) There is an absence of procedural documents or guidance in place setting out the approach to managing and monitoring the income for Building Control.</p> |

| Audit Title | Summary of Key Findings |
|--|---|
| | <p><i>Management Response: Procedural guidance was in place back in 2010, however, this needs to be updated to reflect current practices and systems. We are looking for specialist assistance from within the Council to help with this and provided this is forthcoming, our aim is for this to be completed by January 2023.</i></p> |
| <p>Contract Management</p> <p>A risk based review to provide assurance over the effectiveness of how well the Council's contract management arrangements are working in practice and to provide assurance over the controls in place to mitigate this area of strategic risk</p> <p>The audit focused on the following sub-processes and key risks:</p> <ul style="list-style-type: none"> ▪ Governance Arrangements; ▪ Contract management Framework – Strategic and Operational Contract Management; ▪ Performance/Financial Management and Reporting. | <p>Two high and three medium risk issues were identified:</p> <p>High risk issues:</p> <p>1) There is currently a lack of strategic/central oversight of contract management from a cross-council perspective.</p> <p><i>Management Response: The Corporate Procurement team will provide corporate oversight of key contracts. The team will review the top contracts once criteria has been agreed. The selection will then be discussed at the Commissioning and Procurement Board. The process will be further supported by the production of an annual report that will be presented to CMT for consideration. The report will highlight the performance of the key contracts to include identified risks and mitigation plans.</i></p> <p>2) A number of gaps in control within the departmental contract management arrangements were noted during a sample review of contracts.</p> <p><i>Management Response: The Corporate Procurement team will ensure that each contract has an assigned Contract Manager and that a contract management plan is completed; copies of the contract register are sent out to Contract Managers for checking; Contract Manager Training is made available for all that require it and regular performance reports for key contracts from the relevant Contract Managers will be obtained.</i></p> <p>Medium risk issues:</p> <p>3) The Contract Management Policy requires enhancement to enable more effective strategic and operational management of key contracts, including the requirements relating to performance and financial reporting. Additionally, an assigned Contract Manager is imperative for all contracts, however this is not stipulated.</p> <p><i>Management Response: The Corporate Procurement team will update and publish a revised Contract Management Policy that includes refined definitions for responsibilities for both Contract Managers and the Corporate Procurement team. This will also be updated to include any future changes required by the Procurement Bill.</i></p> <p>4) The Central Contract Register requires updating to ensure that data is accurate and is up to date;</p> |

| Audit Title | Summary of Key Findings |
|--|---|
| | <p><i>Management Response: The Corporate Procurement team will ensure that the details of the contract register are correct and all errors/duplicate entries will be removed. The Corporate Procurement team will produce a standard operating procedure that will cover all the steps that a Contract Manager is required to take. This procedure will link to the Contract Manager training and reference details in the Contract Management Policy.</i></p> <p>5) The Contract Segmentation Tool has not been applied to Council contracts to assist Contract Managers in carrying out their roles.</p> <p><i>Management Response: The Corporate Procurement Team as a first step will implement the assessment of contracts using the contract segmentation tool to identify the Top 30 key contracts. This will enable us to provide a more focused oversight over the contracts that pose the most risk to the council. Then as a separate piece of work, we will facilitate the assessments for all new contracts going forward using the tool. We will include in the responsibilities section of the Contract Management policy the requirement for all new contracts to be assessed using the segmentation tool.</i></p> |
| <p>Demand for Services</p> <p>A risk based review to provide assurance over strategies in place to mitigate the departmental risk of the level of demand for services growing beyond the services' ability to manage effectively.</p> <p>This review provided assurance over the following sub-processes and control objectives.</p> <ul style="list-style-type: none"> • Governance; • Demand Management; • Roles and Responsibilities; • Training and Support; • Management Monitoring and Reporting | <p>We raised three medium risk issues:</p> <p>1) The BFFD Multi-Agency Safeguarding Hub (MASH) Procedures Protocol document has not been updated since January 2021. Also, the section on operational procedures does not include expected timelines for contact handling of received concerns.</p> <p><i>Management Response: The MASH Procedures/Protocol was updated in January 2023 and a further review is planned for in January 2024. The procedures set out a rag rating for each contact based on the threshold document and respective timescales. Contacts are recorded onto Mosaic in priority order based on the rating. In addition, we will conduct a review to check compliance and consistency against the rag rating and timescales as described in the procedures/protocol of a sample of contacts.</i></p> <p>2) A significant number of anomalies were identified, including cases of duplicate contact files in both 2022 and 2021. Also, examples of significant delays between receiving a contact through the BFFD and when the contact was recorded in Mosaic.</p> <p><i>Management Response: All new staff will receive induction training that includes the use of Mosaic, compliance with the MASH Procedures/Protocol and safeguarding. In addition, we will check random samples of contacts to ensure compliance and consistency against the rag rating and timescales. Those staff identified as requiring improvement in their skills in entering contact information into Mosaic will receive refresher training. All staff will receive refresher safeguarding training and a record will be kept of the training. Additional reassurance was provided by an Ofsted Inspection of Local Authority Children's Services (ILACS) in February 2023 that considered the effectiveness of operational practice within the BFFD. Significant case sampling and scrutiny was undertaken with work considered to be of good quality. The sub-judgement for the Council's Early Help and Protection areas of work were judged to be 'Good' with the overall Council judgement also being 'Good'.</i></p> |

| Audit Title | Summary of Key Findings |
|---|---|
| | <p>3) Management is not keeping local records of staff training so are not able to confirm whether training has been completed or when it requires refreshing.</p> <p><i>Management Response: A database will be developed of all training provided and completed by staff of MASH expectations as well as ensuring that all staff have received up to date training, including regular refresher training.</i></p> |
| <p>Grant Management</p> <p>A risk based review to provide assurance on the effectiveness and robustness of the control framework around the Council's arrangements for grant management.</p> <p>The audit focused on key controls in place to mitigate the potential risks in the following areas:</p> <ul style="list-style-type: none"> • Governance • Accounting • Monitoring • Reporting | <p>Two medium risk issues and one low risk issue were identified:</p> <p>Medium risk issues:</p> <p>1) There is a general issue regarding money coming into the Brent bank account and Finance Business Partners have to work out what the money is for and where to allocate the funds.</p> <p><i>Management Response: Management recognises the ongoing issue with obtaining remittances and as a result the delays in allocating income in the finance system. To monitor this Finance DMT will receive regular updates on the reconciliation of the grant register with the finance system and unallocated income on an ongoing basis.</i></p> <p>2) Not all the required documentation is being stored in the grants evidence folder held on SharePoint.</p> <p><i>Management Response: Management recognises the ongoing issue with obtaining remittances from grant awarding bodies and is working with FBPs to target grant awarding bodies to use the grant inbox. To monitor this Finance DMT will receive regular updates on completeness of the grant evidence folders on an ongoing basis.</i></p> |
| <p>Large Event Day Management</p> <p>A risk based review to provide assurance that management has assessed all relevant risks and implemented adequate and effective controls within Large Day Event Management.</p> | <p>We identified nine medium and one low risk issue.</p> <p>Medium risk issues:</p> <p>1) Stakeholder cooperation exists in delivering large event days; however, details of these arrangements have not been formally documented and agreed upon.</p> <p><i>Management Response: A draft protocol document will be created to share with partners and officers, the document will include pre-planning, event day and post event processes and procedures. It will also be shared with partners as part of a wider development of Zone Ex roles and roles and responsibilities. The number of staff required for each event type and their required training will also be included.</i></p> <p>2) Defined lines of responsibility exist between stakeholders; however, they have not been formally documented or agreed upon.</p> |

| Audit Title | Summary of Key Findings |
|---|--|
| <p>This audit provided assurance over the following sub-processes and control objectives:</p> <ul style="list-style-type: none"> • Governance • Training and Staffing • Risks and Safety • Enforcement and Licensing • Post Euro 2020 Report Action Plan | <p><i>Management Response: There is a need for a wider agreement on roles and responsibilities of partners working in Zone Ex. This work will require working with wider stakeholders to agree a Zone Ex protocol.</i></p> <p>3) Documented procedures to support staff and stakeholders in the management of large events are not in place.</p> <p><i>Management Response: A draft protocol document will be created to share with partners and officers, the document will include pre-planning, event day and post event processes and procedures. It will also be shared with partners as part of a wider development of Zone Ex roles and responsibilities. The number of staff required for each event type and their required training will also be included.</i></p> <p>4) Alternative methods of communication should be evaluated as a replacement for WhatsApp, which can fail when there are high capacity audience attendances.</p> <p><i>Management Response: As part of the Casey review there is currently a project in place to improve communications including a partnership control room within the stadium. As part of this process the F.A have agreed to explore improving communications. The control room is expected to be in place for March 2022.</i></p> <p>5) Large event day actions are captured but do not include target dates for completion and the relevant responsible officer.</p> <p><i>Management Response: There is a general acceptance that following the Casey review we have made a number of changes at pace to both address the recommendations of the Casey report with a primary focus on managing large event days to prevent future issues. Whilst processes have not all been recorded, there has been a consistent approach to event day management with debriefs taking place after each event. A robust log is now standard practice to record activity throughout the day.</i></p> <p>6) Event staff training cannot be monitored effectively as a local training database including refresher requirements does not exist.</p> <p><i>Management Response: A log will be created which will include all operational staff that have the required training to be selected to work on event days, this will enable a fair distribution of event attendance for all capable staff.</i></p> <p>7) Staff ratios required for different types of events are based on previous similar events, these ratios have not been documented. In addition, the Council does not have contingency plans in place to maintain staff ratios during peak event months.</p> <p><i>Management Response: A review of current staffing and planning for 2023 with the Football Association (FA) is taking place to look at staffing requirements.</i></p> |

| Audit Title | Summary of Key Findings |
|--|---|
| | <p>8)All large events are risk assessed by both the Police and the Council; however, the methodology by which these assessments are achieved have not been documented.</p> <p><i>Management Response: The planned protocol document will include the risk assessment process for large events and will state that these assessments are agreed upon with key event partners prior to publishing.</i></p> <p>9)There is no structured process to enable issues or lessons learnt to be brought to subsequent event planning meetings.</p> <p><i>Management Response: We will share relevant information with partners/stakeholders at SAG meetings that were captured at previous event debrief meetings to ensure that all issues/concerns/lessons learnt are seen by our event partners.</i></p> |
| <p>Cyber Security – Website Review</p> <p>The objective of this audit was to understand and evaluate the capability that exists to recover the Council’s website in the event of an outage.</p> <p>This audit provided assurance over the controls within the following sub-processes:</p> <ul style="list-style-type: none"> • Business continuity and disaster recovery; • Redundancy, replication, and resilience; • Roles and responsibilities; and • Reputational risk and personal identifiable data. | <p>We identified three high risk, one medium risk and one low risk issues.</p> <p>High Risk Issues:</p> <p>1) Evidence of testing the Council’s website business continuity plan was not available, nor was a physical copy of the plan retained.</p> <p><i>Management Response: Agree to implement an annual testing regime for the full BCP including involvement from senior stakeholders where necessary.</i></p> <p>2) No evidence was available to demonstrate the testing regime for Disaster Recovery plan</p> <p><i>Management Response: Agree to implement an annual testing regime on full and partial system recovery using the DR Plan and back-ups. Agree to outline the expected frequency and nature of the testing regime in the DR Plan or policy.</i></p> <p>3) There was no regular testing regime in place to establish if the redundancy, resilience, and replication would function as intended should an outage or disaster occur.</p> <p><i>Management Response: Agree to implement an annual testing regime of the website where all elements of the redundancy, replication and resilience are tested. Lessons learned from each annual testing procedure will be incorporated.</i></p> <p>Medium Risk Issue:</p> <p>4) Segregation of duties is inferred in several key documents but not clearly defined nor documented. There is a lack of representation of the Web team on the Change Advisory Board (CAB).</p> <p><i>Management Response: Agree to create a policy and procedural document defining expectations regarding segregation of duties and define such duties in the procedural document. As part of this, a register of all staff with elevated permissions should also be maintained and periodically reviewed (i.e., once every six months) for appropriateness.</i></p> |

| Audit Title | Summary of Key Findings |
|--|---|
| <p>Financial Management Code</p> <p>The objective of this audit was to review and assess the high-risk actions for the Medium-Term Financial Strategy and financial resilience elements of the Council's self-assessment conducted against the CIPFA Financial Management Code.</p> <p>This audit provided assurance over the following sub-processes:</p> <ul style="list-style-type: none"> • Oversight and governance • Development of the MTFS high-risk action plans • Development of the financial resilience action plans | <p>One Medium Risk issue:</p> <p>1) The key governance and oversight mechanism (weekly programme team meetings) does not explicitly provide a view on the progress of the implementation of actions across all workstreams.</p> <p><i>Management Response: We have put a standing item on the weekly meeting for programme progress, which is an opportunity to flag anything that is not on target. Once a month we review the latest statistics for actions completed and address any remedial action needed for anything falling behind. We currently report key work arising from CIPFA's FM Code in major financial reports to CMT and Cabinet. We also reported the initial project plan and progress to date to the Audit Standards Advisory Committee. At a suitable juncture we will report progress against the plan again.</i></p> |
| <p>You Decide / Participatory Budgeting (PB) (Additional Request)</p> | <p>This review was undertaken at management's request. The objective of this review was to assist with the identification and management of risks associated with the PB programme delivered in summer 2022, to ensure that any issues and/or gaps/weaknesses in control could be addressed ahead of any future/similar exercises.</p> <p>This review sought to provide assurance over the following sub-processes and control objectives:</p> <ul style="list-style-type: none"> • Eligibility and assessment • Consultation and engagement with stakeholders • Decision-making • Funding • Monitoring <p>In summary, one high and five medium risk issues were raised regarding areas for improving and enhancing overarching governance arrangements and framework, covering the following areas:</p> |

| Audit Title | Summary of Key Findings |
|--|---|
| | <ol style="list-style-type: none"> 1. Documented policies/procedures 2. Declaration of interests 3. Collaboration and joint working 4. Due diligence and vetting 5. Verification of voters 6. Payments <p>Consideration will be given to how the recommendations will be implemented in similar funding exercises in the future.</p> |
| <p>Property Valuations</p> <p>The objective of this audit was to review the key controls in place to provide assurance over processes and risks associated with property valuations.</p> <p>This audit provides assurance over the following sub-processes:</p> <ul style="list-style-type: none"> • Governance • Fixed asset register (FAR) • Reconciliations • Revaluations, depreciation, and impairment | <p>Three medium and two low risk issues:</p> <p>Medium Risk Issues:</p> <p>1) Insufficient procedure documentation was in place or available to staff in relation to the property valuations process, detailing the day-to-day operational activities and the associated roles and responsibilities.</p> <p><i>Management Response: Officers accept the recommendations above to establish a high level handbook and checklists (checklists are already in place) to ensure that there is continuity should a member of staff leave. CIPFA publishes a manual for Asset Manager (the FAR system Brent uses) detailing process for the FAR functions, our high level handbook will make reference to this to prevent duplication of work. This will need to be done during the next valuation process to ensure that all steps are captured and lessons learnt implemented. It should be noted that Officers currently use the RICS handbook and guidance on asset valuations which is a comprehensive handbook for carrying out asset valuations. In terms of governance the internal handbook will provide ready reference for the necessary steps that are required and map out the overall process and complement the handbooks being used.</i></p> <p>2) We were not able to evidence certain documentation during the review as it had not been centrally saved/ retained and staff who had left their positions had not uploaded it to central repositories. As a result, staff did not have access to (and could not provide as evidence) several documents requested for the audit.</p> <p><i>Management Response: We already have in place a share folder containing the information set out in the recommendation. The missing documents found in the internal audit are anomalies. Officers responsible for the 2017/18 external revaluations report have all left the Council and therefore we weren't able to find these but every revaluation</i></p> |

| Audit Title | Summary of Key Findings |
|---|---|
| | <p><i>since then has been saved in a central location and will continue to be saved. The only document not saved locally because of the previous FA leaving is the evidence of spot check. We will ensure this is saved going forward. As per previous recommendation we will implement a formalised year end sign off going forward.</i></p> <p>3)The due date for the next valuation was not populated for all assets in the fixed asset register (FAR). Management was therefore not able to directly track assets requiring revaluation.</p> <p><i>Management Response: Management recommendations are noted and will be implemented for the financial year 2023/24 asset valuation process. The valuation exercise for 2022/23 has already commenced and needs to be carried out within a very tight deadline. We will agree with the external surveyor by August 2023 what needs to be done to implement these changes and they will take effect for the next valuation exercise which will commence in November 2023.</i></p> |
| <p>Digital Strategy</p> <p>The objective of this audit was to ascertain whether management has assessed all relevant risks and implemented adequate and effective controls over the roll out of full fibre broadband within the Digital Place theme of the Digital Strategy and ensured it supports and enables the achievement of the Council's strategic goals. This scope of the audit covered the following core areas as determined by the Council.</p> <ul style="list-style-type: none"> • Council requirements and benefits management. • Digital Place infrastructure. • Stakeholder management. | <p>Two medium and three low risk issues were raised:</p> <p>Medium Risk Issues:</p> <p>1)The Council meets with its delivery partners regularly to discuss progress with the roll out, but it has not set KPIs for monitoring the performance of delivery partners, such as minimum internet speeds, service delivery standards, etc.</p> <p><i>Management Response: Providers have confirmed that they are unable to provide information regarding minimum internet speeds and service delivery standards as it is commercially sensitive information. However, the council will collect information from providers every six months regarding the percentage area of completed implementation of infrastructure. Information will also be collated on any complaints regarding the build in properties on a quarterly basis as part of existing connectivity deep dives.</i></p> <p>2)We were unable to confirm that all relevant stakeholders across the Council were engaged with during the formulation of the Digital Place element of the strategy.</p> <p><i>Management Response: On review of the Digital Place strand of the strategy, a wider group of stakeholders, including community and voluntary partners, housing officers and senior management will be consulted on its development and priority areas.</i></p> |

Appendix C - Summary of Follow-up Activity


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

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

| Follow-up | Status | Follow-up Outcomes (as at first follow-up) | | | | Comments |
|---------------------------------------|------------------|--|-----------------------|-----------------|--------------------|--|
| | | Implemented | Partially Implemented | Not Implemented | No longer relevant | |
| IT Asset Management in Shared Service | <i>Completed</i> | 1 | 11 (4) | 0 | 0 | Management continues to provide updates regarding the outstanding actions. |
| ITDR | <i>Completed</i> | 14 | 0 | 0 | 0 | |
| Council Tax | <i>Completed</i> | 6 | 0 | 0 | 0 | |
| i4B SLA | <i>Completed</i> | 4 | 7 | 0 | 2 | Management continues to provide updates regarding the outstanding actions. |
| FWH SLA | <i>Completed</i> | 4 | 4 | 0 | 2 | Management continues to provide updates regarding the outstanding actions. |
| Temporary Workers | <i>Completed</i> | 3 | 1 | 1 | 0 | Management continues to provide updates regarding the outstanding actions. |
| Planning | <i>Completed</i> | 4 | 0 | 0 | 0 | |

| Follow-up | Status | Follow-up Outcomes (as at first follow-up) | | | | Comments |
|----------------------------------|------------------|--|-----------------------|-----------------|--------------------|--|
| | | Implemented | Partially Implemented | Not Implemented | No longer relevant | |
| Homecare | <i>Completed</i> | 5 | 0 | 0 | 0 | |
| Oracle Cloud PIR | <i>Completed</i> | 9 | 0 | 0 | 0 | |
| Residential and Nursing Care | <i>Completed</i> | 7 | 0 | 0 | 0 | |
| GLA Affordable Housing Programme | <i>Completed</i> | 2 | 0 | 1 | 0 | Management continues to provide updates regarding the outstanding actions. |
| Accounts Payable | <i>Completed</i> | 16 | 2 | 0 | 0 | Management continues to provide updates regarding the outstanding actions. |
| Gifts and Hospitality | <i>Completed</i> | 2 | 0 | 3 | 0 | Management continues to provide updates regarding the outstanding actions. |
| Early Years | <i>Completed</i> | 3 | 0 | 0 | 0 | |
| Cyber Remote Working | <i>Completed</i> | 12 | 6 | 0 | 0 | Management continues to provide updates regarding the outstanding actions. |
| Flexible Working | <i>Completed</i> | 3 | 5 | 0 | 0 | Management continues to provide updates regarding the outstanding actions. |

| Follow-up | Status | Follow-up Outcomes (as at first follow-up) | | | | Comments |
|---|------------------|--|-----------------------|-----------------|--------------------|--|
| | | Implemented | Partially Implemented | Not Implemented | No longer relevant | |
| Leaseholder Repairs | <i>Completed</i> | 6 | 6 | 0 | 0 | Management continues to provide updates regarding the outstanding actions. |
| ASC Budget Monitoring | <i>Completed</i> | 4 | 1 | 0 | 0 | Management continues to provide updates regarding the outstanding actions. |
| I4b/FWH Health and Safety Compliance | <i>Completed</i> | 12 | 5 (3) | 2 (2) | 0 | Management continues to provide updates regarding the outstanding actions. |
| Financial Management Code | <i>Completed</i> | 1 | 0 | 0 | 0 | |
| <p>The following follow-ups are in progress and will be reported in 2023-24:</p> <ul style="list-style-type: none"> • Workforce and Succession Planning • Key Financial Controls • Council Companies and Governance • Debt Management • Fostering • Contract Management • Purchasing Cards | | | | | | |

| | |
|---|--|
|  Brent | Audit and Standards Advisory Committee 6 th June 2023 |
| | Report from the Corporate Director of Finance and Resources |
| Annual Counter Fraud Report – 2022/23 | |

| | |
|---|---|
| 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: | None |
| 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 the Report

1.1 The report sets out a summary of the counter fraud activity undertaken in 2022/23.

2. Recommendation

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

3. 2022/23 Annual Counter Fraud Report

Internal Fraud

3.1 Internal fraud includes whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports are covered in the 'Proactive' section of this report. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature. The table below sets out key figures in this area for 2022/23.

Table A – Internal Fraud

| Internal Fraud | 2022/23 (full year) | 2021/22 (full year) | 2020/21 (full year) |
|----------------------------------|------------------------|------------------------|------------------------|
| Open Cases b/f | 18 | 21 | 12 |
| New Referrals | 20 | 24 | 38 |
| Closed Cases | 22 | 27 | 29 |
| Open Cases c/f | 16 | 18 | 21 |
| Fraud / Irregularity identified* | 4 | 6 | 4 |

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

3.2 20 new referrals were opened during this year from a variety of sources, including whistleblowing. A summary of the main allegations received is as follows:

- Breach of financial / other regulations (5);
- Bribery and Corruption (3);
- Fraudulent Claims / Allowances (2),
- External offences/conduct by staff (4),
- Conflict of Interest (1), and
- Recruitment irregularities (5).

3.3 The volume and type of referrals is consistent with recent years, and the trend suggests the service profile and engagement across the Council continues to be effective. Due to the confidential nature of these type of referrals, it is not appropriate to provide further details of the allegations in this report.

3.4 There were also 22 cases concluded during the same period. In four of these instances a degree of fraud and/or irregularity was identified, broadly relating to the theft of cash/assets; misappropriation of funds; officer claims/allowances; conflicts of interest; and recruitment irregularities. Due to the nature of these cases, the Counter Fraud team will regularly liaise with management, as appropriate, throughout the investigation to ensure that any issues in relation to controls or processes are addressed.

3.5 With most cases under this category, the Counter Fraud team will report to management with any recommendations to improve control and to mitigate future occurrences. It will also liaise with the Internal Audit team for wider consideration in the Internal Audit Plan. Recommendations arising from fraud investigations are followed up with the same rigour as those from Internal Audit.

3.6 The team arrange regular and targeted fraud awareness workshops across all Council services. This is an on-going commitment and coverage includes services where fraud has occurred or where the team's own fraud risk assessment of a service suggests there is a higher fraud risk.

Tenancy and Social Housing Fraud

- 3.7 The recovery of social housing properties by the Counter Fraud team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council. The average value of each recovered tenancy is £93,000 per property as reported by the Cabinet Office ([National Fraud Initiative Reports 2016 - 2020](#)). The counter-fraud activity for 2022/23 is summarised in the table below.

Table B – Tenancy and Social Housing Fraud

| Housing Fraud | 2022/23 (full year) | 2021/22 (full year) | 2020/21 (full year) |
|------------------|---------------------|---------------------|---------------------|
| Open cases b/f | 94 | 82 | 66 |
| New cases | 174 | 204 | 202 |
| Closed cases | 155 | 192 | 186 |
| Open cases c/f | 113 | 94 | 82 |
| Fraud Identified | 20 | 27 | 11 |

** Notional value of recovered properties (including housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £93,000. (£18,000 used previously)*

- 3.8 The total number of fraudulent housing cases concluded in this period was 20. In one case, an investigation commenced following a gas forced entry. Enquiries found the property was abandoned with rent arrears in excess of £5,000, and the property was successfully recovered. In another case, a referral was received alleging a tenant had been living abroad for over six years. Enquiries revealed the tenant was not occupying their tenancy as their main and principal home. Civil litigation ordered outright possession to the Council and full costs were awarded. The total notional value of these 20 cases (applying the value of £93k per property, as adopted by the Cabinet Office) is £1,860,000. In addition, the team has completed 17 tenancy verifications where fraud was not identified but helps to mitigate fraudulent Succession and Right to Buy applications.
- 3.9 The number of housing frauds detected this year is consistent when compared to an average of 19 total recoveries over the previous three years (27, 11, and 19). Referrals from Brent Housing Management (BHM) have improved compared over the last two years, and both teams are working together to increase the quality and quantity of referrals. Of the 174 referrals logged this year, 39 were from BHM teams, which represents 22.4% of the new investigations opened and is lower for the same period in the previous year (52%). In comparison, of the 20 successful fraudulent cases concluded in the same period, 16 were from direct engagement with BHM and the remaining cases from internal proactive work and other housing related teams. This emphasises the importance of receiving good quality referrals from housing staff through their normal engagement with Council tenants.

- 3.10 There are currently 114 live housing investigations – of these; 20 cases are involved with legal proceedings to recover the property, and a further seven cases have been concluded by the team with a report issued to BHM and other Registered Social Landlords that recommends recovery action is instigated. The team works closely with the relevant teams to progress these cases.
- 3.11 The team has provided relevant BHM staff with appropriate access to anti-fraud and tracing systems to aid verification of Succession and Right to Buy applications. It continues to assist management in a variety of ways with its ongoing tenancy audit and anti-fraud strategy, which has included fraud risk training and support for staff and tenancy data matching.
- 3.12 The team are considering using a lower notional figure of £42,000 for 2023/24 to reflect the cost of fraudulent tenancy recoveries to the council. This follows extensive national research concluded in 2021/22 and undertaken by the [Tenancy Fraud Forum \(TFF\)](#) in partnership with the [London Boroughs' Fraud Investigators' Group \(LBFIG\)](#), and supported by the Cabinet Office's National Fraud Initiative, Northern Ireland Housing Executive, Fraud Advisory Panel, Chartered Institute of Public Finance and Accountancy (CIPFA), Cifas, Chartered Institute of Housing and G15 group of housing associations. A guide explaining the rationale will be provided in the 2023/24 interim counter fraud report.

External Fraud

- 3.13 'External fraud' includes all external fraud / irregularity that affects the Council. This will include (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter fraud activity for 2022/23 is summarised in the table below:

Table C – External Fraud

| External Fraud | 2022/23 (full year) | 2021/22 (full year) | 2020/21 (full year) |
|----------------------------------|------------------------|------------------------|------------------------|
| Open cases b/f | 160 | 96 | 37 |
| New Referrals | 224 | 288 | 343 |
| Closed Cases | 197 | 224 | 284 |
| Open cases c/f | 187 | 160 | 96 |
| Fraud / Irregularity identified* | 94 | 67 | 19 |

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

- 3.14 There have been 224 new cases opened in this period, compared to 288 during the same period last year. Blue Badge allegations make up 68% of new referrals. Other referrals mainly relate to benefits, allowances and grants.

External – Blue Badges

- 3.15 There have been 94 successful outcomes in this period reported (where fraud was detected), which is an increase compared to the previous year figure of 67 during the same period. This includes 23 successful prosecutions (previously 10) and 31 cautions/warnings (previously 29) issued for Blue Badge fraud. In addition to these outcomes, the cases where appropriate are filed to the [Cifas National Fraud Database](#), which helps to further prevent and detect fraud. In one case, a child's Blue Badge, which had been reported as lost/stolen, had been fraudulently used on a vehicle on two occasions. The defendant did not attend court and as this was the second hearing, an application was made to proceed in her absence which was granted by the Magistrates. The matter was proven and judgement made against defendant as follows; Fine £500.00, Victim Surcharge £50.00, Costs £2,607.00 – total £3,157.00 to be paid within 28 days with collection order imposed.
- 3.16 Criminal proceedings and cautions have been instigated (at various stages) with a further 24 live cases. The increase in prosecutions does place a resource challenge for the team to balance its overall capacity across all counter fraud activity. In most cases involving Blue Badge fraud, there are additional time-bar considerations that have to be prioritised to successfully prosecute a case. The team has worked closely with Parking Enforcement to efficiently obtain best evidence and reduce investigation time where possible. This fraud type is clearly prevalent within the borough and ultimately affects genuine users of the Blue Badge scheme.
- 3.17 There are currently 107 live cases, which includes; 88 Blue Badge / Parking Permit, six Council Tax / Benefit, and three Business Rates / Business Covid-19 Grant related cases. Other case types include; payments from Adults and Children services, theft of client funds, and grants/allowances.
- 3.18 In Q1, the team took part in a coordinated London-wide Blue Badge enforcement operation involving 20 other authorities. The team coordinated the operation which included Police and multiple council teams. A total of 127 badges were checked in Willesden Green, Kingsbury and Wembley, which resulted in a total of 21 Penalty Charge Notices (PCNs). Six PCNs were issued against vehicles illegally displaying a Blue Badge, of which three vehicles were removed and three Blue Badges were confiscated. In Q4, the team took part in a Brent only enforcement operation involving multiple teams and assisted by the Police. The operation focussed on Hassop Road NW2 and resulted in 24 Blue Badges inspected, five PCNs issued including two vehicles being removed for Blue Badge related offences.
- 3.19 The theft and supply of stolen Blue Badges appears to be a widespread and increasing problem across all London boroughs. Almost all Blue Badge prosecutions this year relate to badges that were issued by other local authorities. It is not possible to comment with any degree of certainty on the illegal Blue Badge market, as stolen badges are essentially worth whatever someone is willing to pay for them. However, the continued collaboration and joint-working between internal and external partners, means that the Council maintains a zero-tolerance approach to all types of Blue Badge fraud within the borough.

Proactive activity

- 3.20 The team undertakes a broad range of proactive activity based on fraud risk and close working with the Internal Audit team. This will include NFI data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews across all service areas. The counter fraud activity for 2022/23 is summarised in the table below:

Table D – Proactive Cases

| Proactive Cases | 2022/23 (full year) | 2021/22 (full year)* |
|--|------------------------|-------------------------|
| Open cases b/f | 49 | 35 |
| New Proactive | 4 | 110 |
| Closed Cases | 47 | 96 |
| Open cases c/f | 6 | 49 |
| <i>Fraud / Irregularity / Savings identified</i> | 8 | 7 |
| <i>Advice / Recommendations</i> | 1 | 2 |
| <i>Audit / Risk review</i> | 46 | 96 |

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

- 3.21 The mandatory data submissions for the new [National Fraud Initiative 2022](#) exercise is underway and expected to be completed during Q3. New data matches were made available from Q4, and the team will start to focus on these matching reports from Q1 2023/24.
- 3.22 47 proactive cases were concluded this year. This included 42 NFI data matching reviews from the previous exercise and seven of these identified £123,159 savings from fraud or error relating to Council Tax Support (£70,278.09) and Covid-19 support grants (£52,881.03).
- 3.23 The team commenced a **NFI Tenancy Fraud Pilot** in Q2 using new enhanced data matching techniques that includes; mortality screening, existing NFI data, credit/financial, insurance and various other private sector data. The review is scheduled to be completed by the end of Q1 2023/24 and final outcomes will be reported in the next counter fraud report. The exercise identified 1,228 matches as high risk against a total of 7,832 council tenancies, and of these 106 live tenancies were matched to deceased records. The team have reviewed or are investigating 306 of these cases, including the deceased matches, with the remainder passed to the relevant tenancy teams to conduct their own review and report findings. Whilst this exercise has not led to any tenancy recoveries as yet, it has greatly assisted the service in identifying tenancies that require a number of follow up actions. A further enhanced exercise is planned to commence during Q2 2023/24.

- 3.24 The Council has also joined the NFI London **FraudHub**, which will be for an initial period of two years. It is modelled on the existing NFI platform and so far 20+ London councils have joined. The hub allows for more real-time and cross boundary data matching, in addition to bespoke internal data matching. Hub members agreed to start with mortality screening against its Occupational Pension data, seeing immediate results in most cases, Brent Pensions screening has identified actual savings of £13,806 (with an estimated value of £1,198,354 based on the NFI methodology guidance if the irregularity was not identified). Another notable outcome is 381 live Blue Badges have been identified against deceased records, which are being processed by the service and the majority expected to be cancelled giving a savings value in excess of £200,000. Further datasets are being added and matches reviewed with notable outcomes reported in due course.
- 3.25 As FraudHub members, the council receives unlimited and free access to another application called **AppCheck**, which is also part of the NFI platform. It is primarily a screening tool and the team envisage it being a verification tool for various service teams across the council. The team is currently testing the system and liaising with appropriate teams, like Housing Needs, to pilot use and monitor effectiveness. Further information on the FraudHub and AppCheck can be found [here](#) and the published Cabinet Office fees can be found [here](#).
- 3.26 The team provided **fraud awareness training** to new Benefits and Customer Service staff during Q1, and additional sessions are planned for December to specifically cover benefit fraud, identity and verification. In Q4, the team arranged refresher training for Parking Enforcement and related teams to cover Blue Badge fraud and related matters.

The team has also worked with the Learning and Development team to introduce refreshed e-learning training courses covering Fraud Prevention and Bribery. These are generic in nature and went live in Q1. It is currently located in the Essential category within the Learning Hub, and forms part of the mandatory courses for new staff.

Other Activity

- 3.27 The service has proposed that the Council obtain full membership access to an [Enhanced Internal Fraud Database](#) (EIFD) that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). An update was sent to CMT in August 2022, and the membership agreement has been reviewed and approved by the Corporate Director Governance.
- The EIFD is a repository of fraud risk information that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. This system is focussed on employee fraud and recruitment controls.
 - The system will enable the Council to have additional assurance around recruitment and provide the Investigations team with additional resource when conducting internal investigations.
 - Both main unions have been engaged and received a formal briefing note on the proposal in August 2022. Both are satisfied with no objections.

- The team and Cifas are currently working with HR and Recruitment / Comensura to prepare for a go-live date, anticipated to be in Q1 2023/24.

Positive Impact from Case Activity

- 3.29 Due to the type and nature of the work undertaken by the Counter Fraud team, it is not practical to monitor or benchmark the performance of the team against a set of key performance indicators. Instead, and where relevant, this report compares outcomes for each fraud type against those reported in previous years, for trend analysis and internal benchmarking purposes.
- 3.30 In addition, the team also continues to monitor and record both the actual and notional savings that are achieved and realised from its investigations and reviews.
- 3.31 Where notional savings are indicated, the team adopts and applies the same methodology and formulae as used by other recognised bodies, such as the Cabinet Office. The table is therefore primarily provided to demonstrate the positive impacts that the work of the Counter Fraud team continues to have across the Council.

Table E – Savings Summary

| Savings Summary (£) | Year to date | 2022/23 Q4 | 2022/23 Q3 | 2022/23 Q2 | 2022/23 Q1 |
|--------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| ** Blue Badge | 44,275.00 | 16,100.00 | 12,650.00 | 4,025.00 | 11,500.00 |
| Client Funds | 53,264.23 | 53,264.23 | | | |
| Council Tax Reduction Scheme | 72,325.96 | | 67,580.85 | 2,047.87 | 2,697.24 |
| Grant Funding - Covid-19 | 80,431.03 | | 17,550.00 | 52,881.03 | |
| ** Housing Application | 93,000.00 | 93,000.00 | | | |
| ** Housing Tenancy | 1,767,000.00 | 372,000.00 | 558,000.00 | 372,000.00 | 465,000.00 |
| ** Parking Permits | 2,300.00 | 575.00 | 1,150.00 | | 575.00 |
| Parking Permits/Fines (actual) | 2,128.00 | | | 2,128.00 | |
| Litigation Cost Orders | 32,041.00 | 7,132.00 | 7,508.00 | 11,016.00 | 6,385.00 |
| | <u>2,146,765.22</u> | <u>552,071.23</u> | <u>664,438.85</u> | <u>444,097.90</u> | <u>486,157.24</u> |

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

** Notional savings (other categories are actual / cashable savings). Blue Badge/Permit notional value is £575, and Housing/Tenancy value is £93,000 based on Cabinet Office/PSFA methodology guidance.

4.0 Alternative Options Considered

4.1 N/A

5.0 Financial Implications

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

6.0 Legal Implications

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

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 of Finances and Resources

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| Topic / Date | 06-Jun-23 | 18-Jul-23 | 26-Sep-23 | 06-Dec-23 | 06-Feb-24 | 26-Mar-24 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Internal Audit & Investigations | | | | | | |
| Internal Audit Annual Report, including Annual Head of Audit Opinion | X | | | | | |
| Internal Audit Progress Reports | | X | | X | | |
| Annual/Interim Counter Fraud Report | X | | | X | | |
| Internal Audit and Investigations Plan | | | | | | X |
| External Audit | | | | | | |
| External Audit progress report | | X | X | X | X | X |
| Statement of Accounts & Pension Fund Accounts | | X* | X | | | |
| Annual Auditor's Report | | | X | | X | |
| Financial Reporting | | | | | | |
| Treasury Management Mid-term Report | | | | X | | |
| Treasury Management Strategy | | | | X | | |
| Statement of Accounts & Pension Fund Accounts | | X | 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 use of RIPA Powers | | | | | | 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 |
| Chair's Annual Report | X | | | | | |
| Training Requirements for Audit Committee Members (as required) | | | | | | |
| Standards Matters | | | | | | |
| Standards Report (including gifts & hospitality) | X | | X | X | | X |
| Annual Standards Report | | | | | | X |
| Complaints & Code of Conduct | | | X | | | |
| Review of the Member Development Programme and Members' Expenses (incorporating Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal) | | | | | | X |

* Requires approval by Audit & Standards Committee

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