



Brent

MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Tuesday 8 September 2020 at 6.00 pm

PRESENT: David Ewart (Chair), Councillor Long (Vice-Chair) and Councillors Donnelly-Jackson, Hassan, Naheerathan, Kansagra and Lo

Independent Advisor: Vineeta Manchanda

Also Present: Councillor McLennan (Deputy Leader and Lead Member for Finance)

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

Apologies were received from Margaret Bruce and Councillor Nerva. Councillor Nerva was substituted by Councillor Lo.

2. **Declarations of Interest**

In relation to agenda item 7, Cllr Hassan declared that she was yet to attend the Audit and Standards Committee and the Audit and Standards Advisory Committee Induction Training session. In relation to agenda item 9 and in particular Brent Pension Fund, Cllr Donnelly-Jackson declared that she had an interest in divestment around climate issues.

3. **Deputations (if any)**

None.

4. **Minutes of the previous meeting**

Resolved

To approve the minutes of the last meeting of the Committee held on 26 May 2020.

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

The Committee was assured that no care homes within the borough had closed since its last meeting and that the Chief Executive was not aware of any in financial difficulty. It was also assured that care homes would be able to access free personal protective equipment (PPE) via the new Clipper online system. The Council would encourage care homes to use this system but would keep its own stock of PPE should they encounter any issues.

6. **Complaints & Code of Conduct**

Debra Norman, Director of Legal, HR, Audit & Investigations, introduced a report on the annual review of the Members' Code of Conduct Complaints procedure and

gave an update on the Local Government Association (LGA) draft Member Code of Conduct consultation. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- It was noted that historically the Committee was not informed of complaints unless they were upheld. As meetings of the Committee were held in the public domain, there was a risk of reputational damage for members if a complaint is not upheld and ultimately proved to be incorrect.
- The Committee suggested that the complaints summary presented at Audit & Standards Advisory Committee meetings should be made gender neutral to ensure the anonymity of members.

The Chair then thanked the Director of Legal, HR, Audit & Investigations, as well as the wider team of officers, for the report and clarifications provided.

Resolved

- 1. To note the contents of the Complaints & Code of Conduct report.**
- 2. To support the recommendation to the Audit & Standards Committee, as set out in the report, to approve the proposed changes to the Member Code of Conduct Complaints Procedure.**

7. Standards Report (including gifts & hospitality)

Bianca Robinson, Senior Constitutional & Governance Lawyer, introduced a report on gifts and hospitality registered by members, and the attendance record for members in relation to mandatory training sessions. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- Members were reminded that they could declare gifts and hospitality online as well as by paper. Details on how to do this were to be circulated to all members after the meeting.
- It was noted that Committee members would be offered any mandatory sessions not yet completed following Full Council. The Committee requested an attendance record for members in relation to mandatory training sessions to be brought to the next meeting.
- In response to a question from the Committee, it was noted that in-house training on unconscious bias was to be offered all council staff and members. It was to be provided alongside Step Up Hub, a local community based organisation.

The Chair then thanked the Senior Constitutional & Governance Lawyer, as well as the wider team of officers, for the report and clarifications provided.

Resolved

- To note the contents of the Standards (including gifts & hospitality) report.**

8. **I4B and Firstwave Housing Accounts and Audit Report**

Ravinder Jassar, Head of Finance, introduced a report on the progress of external audits of First Wave Housing and i4B. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- It was confirmed that there would be a synchronicity between the signing off of the I4B and Firstwave Housing external audits and the Council's external audits.
- It was noted that the letters of assurances from the Council were similar to that of last year and had been agreed with the external auditors.

Resolved

To note the contents of the I4B and Firstwave Housing accounts and audit report.

9. **Statement of Accounts 2019/20 & External Auditors Report**

Ben Ainsworth, Head of Finance, introduced a report on the Council's annual statement of accounts. 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 a question from the Committee, it was noted that there would be an impairment in the next financial year. This would effect the value of the Council's properties but would have no impact on the Council's usable reserves. Moreover, a change of this size would likely not affect the Council's overall borrowing power.
- It was noted that although the valuations of the Council's properties had been lower this year, it was not expected to have a negative effect on its credibility in the market when borrowing. When the Council's balance sheet was considered, it was in a relatively strong position. Generally, local authorities would borrow from the Public Works Loan Board (PWLB) which was likely to always be available and in terms of private borrowing, the sector was looked at favourably. The generation of cash via borrowing, as well as social value, was a selling point for lending to local authorities.

Sophia Brown, Senior Audit Manager at Grant Thornton, introduced a report highlighting the key issues raised by the Council's external auditors Grant Thornton. 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 a question from the Committee, it was noted that specific works on the Council's housing stock may not be something the external auditors would ordinarily look at during the audit. However, it would be covered as part of the wider additions review and any assurance work undertaken on the overall valuation of the dwellings.

- It was noted that the external auditors had used an external valuer who had broadly concurred with the Council's own valuations. The Committee suggested that more detail on what the external valuer had said and how they had come to their conclusions be included in future external audits.
- It was noted that the Council was unable to reconcile non-HRA expenditure charged to the CIES and the non-HRA housing benefit expenditure recorded in the Northgate system. The external auditors had recommended the Council fully reconciled its housing benefit expenditure per the Northgate system to housing benefit expenditure recorded in the general ledger on a regular basis.
- In response to a question from the Committee, it was noted that the level of materiality for senior officers' remuneration and related party transactions was set at £830,000 in line with the level of triviality in the main audit because the external auditors wanted to have a lower level of precision for detecting errors. If any errors were detected at that level, it would be considered a material finding. The triviality level would be 5% and any irregularities would be reported to the Committee.
- The Committee noted that COVID-19 had a significant impact on the normal operations of the Council. While the Council had been relatively financially stable beforehand, it was now entering a period of uncertainty which would have a significant impact on resources.
- In response to a question regarding the governance processes in place to ensure the Council would effectively deal with the financial impact of COVID-19, the Committee was assured that members had been regularly provided with information on where the Council's finances lie and the wider implications this may have going forward. The planning process had begun for next year's budget and was due to go to Cabinet in the winter and, as usual, would be reported to the Committee beforehand.
- It was also noted that a value for money conclusion would no longer be required by the external auditors in the audit of the Council's next financial statement. They would now be required to provide a separate comprehensive report, which would give a detailed commentary of the Council's value for money arrangements.
- The Committee was assured that all preparatory work to ensure the Council was ready to implement IFRS 16 requirements had been undertaken, and it did not expect any material impact to the Council's balance sheet.
- It was noted that the Council was in a relatively strong financial position considering its level of reserves. However, it was recognised that spending these reserves now would only lead to financial difficulty in the future and, as such, the Council needed to continue to run a tight ship. The strategy of strong reserves and the delivery of a balanced budget should continue.

Ravinder Jassar, Head of Finance, and Paul Dossett, Public Services Partner at Grant Thornton, introduced Brent Pension Fund's external audit report, in response to which there were no further comments or questions.

The Chair then thanked Grant Thornton and officer team for the reports and clarifications provided.

Resolved

- 1. To note the key issues and recommendations highlighted in the reports.**
- 2. To note the corrected audit differences.**
- 3. To support the recommendation to the Audit & Standards Committee, as set out in the report, to approve the statement of accounts.**
- 4. To support the recommendation to the Audit & Standards Committee, as set out in the report, to approve the letters of recommendation for both the Council's external audit and Brent Pension Fund's external audit subject to the final wording being agreed between officers.**
- 5. To receive an update on the progress of internal control points at the appropriate later meeting of the Committee.**

10. External Audit Progress Report and Sector Update

Sophia Brown, Senior Audit Manager at Grant Thornton, gave a verbal update on progress in delivering its responsibilities as the Council's external auditors, along with a summary of emerging national issues and developments that may be relevant to Brent as a local authority. The Committee was then invited to raise questions on the report, which focused on a number of key areas as highlighted below:

- It was noted that there had been a recent independent review into the effectiveness of external audit and transparency of financial reporting in local authorities. There were a number of considerations for the Council. These included the creation of an Office of Audit Regulation and the requirement for auditors to report to Full Council annually, with there being a clear shift towards good governance and financial sustainability. The review could be found via the following link:
<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

The Chair then thanked Grant Thornton for the report and clarifications provided.

Resolved

To note the external audit progress report and sector update.

11. Forward Plan

The Chair drew the Committee's attention to its latest Forward Plan. It was noted that the Corporate Risk Statement would be presented at the next meeting of the Committee.

Resolved

To note the Committee's latest Forward Plan.

12. **Any other urgent business**

None.

The meeting closed at 7.25pm.

David Ewart
Chair