



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Tuesday 22 September 2021 at 6.00 pm.

PRESENT: David Ewart (Chair), Councillor Lo (Vice-Chair) and Councillors Johnson, Long and Naheerathan.

Independent Advisor: Vineeta Manchanda

Independent Co-Opted Members: Mark Mills (in remote attendance)& Javed Ansari

Also Present (in remote attendance): Councillor Akram and Councillor McLennan (Deputy Leader & Lead Member for Resources)

1. Apologies for absence and clarification of alternate members

Apologies were received from Councillors Donnelly Jackson and Kansagra.

It was noted that whilst also present, Councillor Akram would not be able to formally participate in any decisions taken during the meeting given he was in remote attendance.

2. Declarations of Interest

David Ewart declared a personal interest in Agenda Item 11 (i4B Holdings & First Wave Housing Ltd performance and management review) as a previous work associate of Martin Smith (Chair of i4B Holdings and FWH Ltd Boards)

3. Deputations (if any)

None.

4. Minutes of the previous meeting

Subject to correction of the spelling of Councillor Naheerathan's name in the list of members present, it was **RESOLVED** that the minutes of the previous meeting held on 26 July 2021 be approved.

5. Matters arising (if any)

None.

6. Complaints and Code of Conduct

Debra Norman, Director of Legal, HR, Audit & Investigations, introduced a report which report provided an annual review of the complaints received pursuant to the Complaints Procedure and a review of the Members' Code of Conduct. In considering the report the Committee noted:

- The summary of complaints received in the last 12 months, as detailed in section 3.4 and Appendix A of the report.
- During this period the Monitoring Officer had received and made determinations regarding seven councillors allegedly in breach of the Members Code of Conduct. Of these six complaints were resolved at the initial stage, three were resolved at the Initial Assessment stage, two were partially upheld with none subject to review requests or escalated to hearing/formal investigation stage.
- The overview of the complaints procedure provided within section 3 of the report and consistency produced as a result of the detailed assessment criteria and involvement of the Deputy Monitoring Officer and Independent Persons in the decision making process.
- That no additional changes were being recommended as a result of the current review of the Member Code of Conduct Complaints Procedure.

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

- A question was asked around the limited power that the Council had to take action against breaches in the code of conduct and whether these powers could be extended. In response, members were advised that there had been a consultation undertaken prior to the pandemic on this issue on which a response was now awaited from the Government.
- It was asked whether the assessment criteria included any consideration as to whether a complaint may be vexatious, with members advised this did form part of the initial assessment process.

As no further issues were raised it was **RESOLVED** to note the contents of the report.

7. **Standards Report (including update on Gifts and Hospitality and member training)**

Biancia Robinson, Senior Constitutional and Governance Lawyer, introduced a report updating 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. In considering the report the Committee noted:

- The summary of gifts and hospitality which had been registered by members during April – June 2021, as detailed within section 3.3 of the report.
- That as part of the External Audit progress report, Grant Thornton had made recommendations as part of their Value for Money review in relation to increasing the transparency and accessibility of gifts and hospitality, which were being addressed by officers.
- That with the exception of Data Protection/GDPR training all members had completed the required mandatory training courses. 13 members were still to complete their Data Protection/GDPR training although 8 had been registered as having started the training.

- The work ongoing to ensure the necessary adjustments were provided for those members with disabilities/ additional needs to support them in undertaking the mandatory online training courses on which the Committee would be updated further in due course.

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

- A question was asked around the sanctions in place for those members who did not complete their mandatory training, especially as part of the next tranche needing to be completed following the 2022 local elections. Whilst noting that compliance would be a matter for the political groups to enforce it was noted that the payment of Special Responsibility Allowance for membership on certain bodies was already linked to completion of the necessary mandatory training courses.
- Details were sought on the reasons why those members registered as having started the Data Protection/GDPR training had not been able to complete it. In response, it was felt this may be related to time constraints with officers continuing to follow up in order to encourage completion. As a further suggestion it was agreed that the report also be sent to each Group for them to follow up with the necessary action.

As a result of the discussion at the meeting it was **RESOLVED** to note the contents of the report.

ORDER OF BUSINESS

At this stage in the meeting the Chair advised that he intended to vary to the order of the agenda so that items listed below were considered in the following order:

- Item 11 Review of Performance & Management of i4B Holdings Ltd & First Wave Housing Ltd along with the External Audit Findings
- Item 10 LB Brent Pension Fund 2020/21 Audit Findings Report
- Item 9 LB Brent 2020/21 Audit Findings Report
- Item 8 Statement of Accounts
- Item 14 Annual Auditors Report 2020/21
- Item 12 Internal Audit Progress Report

The minutes reflect the order in which the items were considered at the meeting.

8. To review performance and management of i4B Holdings Ltd and First Wave Housing Ltd

8.1 Report on i4B Holdings Ltd

Martin Smith, Chair i4B Holdings, introduced a report providing an update on i4B Holdings Ltd.'s (i4B, the Company) recent performance, accounts outturn, risk register and audit arrangements.

In presenting the report the Committee noted:

- i4B's performance remained sound with them continuing to provide good quality homes at affordable rents for people who may otherwise have been in temporary accommodation including the addition of a Key Worker block to the portfolio.
- The update provided in terms of operational performance, as detailed within section 6 of the report, with an ongoing issue identified in relation to void turnaround times. In addition, rent collection levels remained below target, although the impact of the pandemic was recognised as a contributing factor in this respect.
- The risk update and i4B Risk Register, as detailed within section 7 and Appendix 1 of the report. In terms of risk, it was noted that the risk profile for i4B was at the lowest level since the company had been established with the biggest risks currently relating to asset management systems and compliance, levels of contractor performance and high void rent loss due to extended turnaround times. The company risk register along with business plan assumptions, mitigations and actions were subject to regular review and update.
- i4Bs financial outturn for 2020/21 as detailed within section 5 of the report, which was in line with business plan expectations.

The Committee were then invited to ask questions, which are summarised below:

- It was clarified that the issue around void performance related to the service being provided through the Council rather than that provided through i4B. The cause related in part to difficulties being experienced in the nomination of clients to i4B properties as well as contractor performance in terms of the refurbishment and turnaround times. Given the concerns identified confirmation was provided that if i4B remained dissatisfied with performance they would have the option of not retaining the Council's contractor and seeking an alternative supplier to undertake the works.
- Further details were sought on the adjustments made within the restated 2019/20 balance sheet statement and value of total current assets listed given the potential impact on the company's cash flow. In response members were advised that the adjustment related to the revaluation of the investment property portfolio which was required to ensure the properties were being recorded in the balance sheet at the market value they could realistically be sold for. The previous valuation had overstated the value of the properties, although it was pointed out that the adjustment reflected an accounting issue agreed with the external auditors. In addition, the valuation of total assets had been impacted by the rapid increase in i4B's portfolio over recent years, meaning there would be differences in valuations as stock was purchased and brought into line with market prices at year end. The position had also been further impacted by completion of the purchase of the key worker housing block at a discounted market value.
- Further clarification was provided in relation to the value of total current assets, with members advised that given the objectives and social benefits being delivered through the company asset valuation would not be the principle measure of assessing the company's performance and financial performance. As the intention was not to sell the properties, the focus remained on cash flow in order to maintain the long term financial viability modelled around the assumptions within the Business Plan.

- Following on, members felt it would be useful in future reports for a copy of the company's cash flow statement to be provided, which was agreed by Martin Smith as Chair of the Board.
- A question on refurbishment performance was also raised with members noting this remained outside of the Business Plan target. In response members noted that the same contractor was used for the refurbishment programme as for voids and although performance was better on refurbishment than void turnaround, this was still an area requiring monitoring.

As no further issues were raised it was **RESOLVED** to note the report and update provided in relation to:

- (1) current operational and financial performance of i4B Holdings Ltd.
- (2) the i4B Holding Ltd Risk Register.
- (3) the i4B Holding Ltd accounts outturn for 2021/22.
- (4) the recent i4B audit in relation to the Service Level agreement with the Council and other third parties, as detailed within section 10 of the report.

8.2 Report on First Wave Housing Ltd

Martin Smith, Chair of First Wave Housing Ltd introduced a report providing an update on First Wave Housing Limited's (FWH) recent performance, accounts outturn, risk register and audit arrangements.

Prior to considering the wider operational performance of the company, Peter Gadsdon (Strategic Director Customer & Digital Services and Council appointed Director on FWH Ltd) provided members with a brief outline, overview and update on the current remediation works identified in relation to the eight Granville Homes FWH blocks in South Kilburn. The Committee noted:

- The background to the original construction of the blocks in 2009 which comprised a total of 110 out of the 326 properties managed by First Wave Housing Ltd. The properties had initially being purchased and managed through Brent Housing Partnership (BHP) and subsequently FWH Ltd's portfolio.
- Following transfer of the blocks a number of significant remediation works involving water penetration, cladding and windows had been identified relating to the original construction. More recently a number of fire safety concerns had also been identified, which had required the introduction of a walking watch service pending installation of a communal fire alarm system being completed.
- In an effort to address the issues identified, Ridge Consultants had been commissioned to carry out intrusive investigation works to assess the scope, costs and timescales of the necessary structural and remedial works required.

Martin Smith, Chair FWH Ltd, was then invited to comment and advised members of the determination within the Board, working with the Council as guarantor of the company, to address the issues and remedial works identified. The estimated cost

of the works identified, however, had been approx. £18.5m with the operational surpluses being generated by the company insufficient to cover the works identified, making the FWH Ltd Business Plan unviable. As a result the Council (as Guarantor) and FWH Ltd had been required to explore options for funding the works whilst protecting the ongoing viability of FWH Ltd, balancing costs with the HRA and ensuring the works were undertaken as quickly as possible and with minimum disruption for residents. The option recommended as a result had been to dispose of the blocks to the Housing Revenue Account (HRA) in order to enable the works to proceed. Further detail was now being considered on the structure of the proposed transaction taking account of the relevant implications for tenants, FWH Ltd, the General Fund and HRA. In terms of affected tenants, this would involve the social rented tenants becoming secure council tenants and leaseholder becoming a council leaseholder. The 25 intermediate tenants would become i4B tenants.

In terms of the next steps forward the proposed option was due to be presented to the Council's Cabinet in October 2021 for consideration and approval, with authority also being sought to undertake more detailed consultation with tenants on the potential disposal of the blocks

As further updates on the general operational and financial performance of the company the Committee noted:

- The ongoing concerns highlighted in relation to the performance on voids, with members advised of the performance plan now in place with Brent Housing Management to address this issue and improve turnaround times which the Board continued to closely monitor.
- The continuing strong performance in relation to rent collection, which remained above target and it was highlighted had been positively impacted by the support which had been made available during the pandemic through the Resident Support Fund established by the Council.
- The financial outturn for 2020-21 as detailed within section 5 of the report and potential impact of the costs for the Granville Homes remedial works which had resulted in the effected blocks having to be revalued (from an accounting perspective) from £12.457m down to nil within the accounts.
- The recent FWH audit in relation to the Service Level agreement with the Council and other third parties, as detailed within section 7 of the report.

The Committee were then invited to ask questions, which are summarised below:

- A question was asked regarding the submission of the company accounts with confirmation provided that final sign off and submission was on progress to be completed within the required deadline.
- The concerns identified by members regarding the extent of the works identified as required on the Granville blocks and impact on both the HRA given the recommended option identified and potential impact on tenants. Whilst the efforts being made by FWH Ltd to find a final solution in order to address the problems, working with the Council as guarantor, were recognised members felt it would also be helpful for more detailed scrutiny of the proposals to be undertaken through one of the Council's Scrutiny

- Committee's, particularly in view of the ongoing financial pressures and impact on the HRA, which officers agreed to take forward.
- Other issues highlighted in relation to the update on the Granville Blocks included the detailed arrangements for any stock transfer process and residents engagement along with the accounting of costs for the walking watch service. Confirmation was provided that the costs of the service and installation of the communal fire alarm would be spread over both 2020/21 and 2021/22.
 - Confirmation was provided regarding the ongoing financial viability of FWH Ltd should disposal of the Granville Home Blocks be taken forward as currently proposed.
 - Members were also keen to explore whether any other similar issues as experienced with the Granville Home Blocks were likely to be identified in relation to the remaining FWH Ltd property portfolio. In response, members were advised that no similar issues were expected to be identified, given the remaining type of properties within the portfolio. The Board were, however, monitoring and seeking to constantly develop their approach towards asset management in order to identify and address any further liabilities identified. In concluding on the Granville Home Blocks, the Chair assured members that in developing the option identified the Board had been seeking to ensure the works identified were undertaken as soon as possible, given the ongoing impact on tenants and in a way that sought to minimise the impact in terms of tenants, FWH Ltd, the General Fund and HRA.

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 report and update provided in relation to:

- (1) the current operational and financial performance of FWH Ltd.
- (2) the FWH Ltd Risk Register including the update provided in relation to the Granville Homes Blocks which it was AGREED should also be referred on to the Community & Wellbeing Scrutiny Committee for more detailed review of the option identified in terms of funding of the works and impact on the HRA.
- (3) the FWH Ltd financial outturn for 2021/22.
- (4) the recent FWH Ltd audit in relation to the Service Level agreement with the Council and other third parties.

8.3 i4B Holdings Ltd External Audit Findings Report

The Committee then moved on to consider the report from Grant Thornton (External Auditors) presenting the results of the audit undertaken in relation to the i4B financial statement and accounts for the year ended 31 March 2021. The Committee were advised that the reports presented were in draft pending completion of the final audit opinions. Joanne Love (Partner – Grant Thornton) presented the report and the Committee noted:

- Although to be finalised the audit work had been substantially completed and, subject to the outstanding matters being finalised as detailed in the report, the

- auditors had advised there were currently no matters of which they were aware that would require modification of their audit opinion.
- The observations provided in respect of the significant risks identified within the Audit Plan, with further detail provided in relation to the adjustment noted during consideration of the i4B performance report in the financial statements to correct the prior period error relating to the valuation of investment properties.
 - The outcome of the going concern assessment, which had noted the ongoing reliance within the detailed business plan on the Council's continued funding and support but had not impacted on the overall audit judgement.
 - The assessment of the internal controls and audit recommendations made in response.

The Committee were then invited to ask questions on the report, which are summarised below:

- A question was raised around FRS 102 and the accounting classification of the Quintain Key Worker Housing block. In response, members were advised that the assessment reached had been that the block should be accounted for as property, plant and equipment (PPE) for the provision of social benefit rather than as an investment property with the Committee aware of the complex nature of the accounting and audit judgements needing to be made given the objectives and role of the company.
- An assurance was sought regarding the mitigations in place to ensure the accounting error identified in relation to the valuation of investment properties did not occur again. Whilst recognising the concerns raised, members were advised of the technical nature of the error, how it had been identified and measures being taken to avoid anything similar in future.

As no further issues were raised it was **RESOLVED** to note the i4B Holdings Ltd Audit Findings report.

8.4 **FWH Ltd External Audit Findings Report**

Joanne Love then moved to present the report from Grant Thornton (External Auditors) detailing the results of the audit undertaken in relation to the FWH Ltd financial statement and accounts for the year ended 31 March 2021.

In considering the report, the Committee noted:

- Although to be finalised the audit work had been substantially completed and, subject to the outstanding matters being finalised as detailed in the report, the auditors had advised there were currently no matters of which they were aware that would require modification of their audit opinion.
- The observations provided in respect of the significant risks identified within the Audit Plan. The audit had included reference to the works and refurbishment costs identified in relation to the Granville Home Blocks in terms of the accounting requirement for valuation of social housing properties and investment properties and obligations on the company under FRS 102 and the Housing SORP.

- The assessment of the internal controls and audit recommendations made in response.
- The outcome of the going concern assessment, which had noted the ongoing reliance within the detailed business plan on the Council's continued funding and support and need to address how the remedial works on the Granville Home Blocks would be funded.

The Committee were then invited to ask questions on the report, which are summarised below:

- Further details were sought on the potential impact of the proposed transfer of the Granville Homes Block on the HRA and future operation of FWH. Members were assured that a detailed evaluation of the available options had been considered resulting in the recommended way forward in terms of transfer of the Blocks to the HRA. The paper due to be presented to Cabinet in October 2021 would set out in detail the various options considered along with the financial projections and associated risks, with the recommended transfer option having been assessed as the most beneficial to both the company and Council. It was agreed that the Committee would be kept updated on progress once a final decision had been taken by Cabinet on the way forward.
- Clarification was sought on the likely impact of any final decision made by Cabinet in relation to the transfer of the Granville Home Blocks on the treatment of the 2021 FWH accounts. Given the imminent sign off of the accounts and timing of the Cabinet decision members were advised that this was unlikely to impact on sign off of the final statement of accounts and once any final decision had been made this would be effectively treated as a non-adjusting post balance sheet event.

As no further issues were raised the Chair thanked all those involved in preparing and presenting the reports for their effort and it was **RESOLVED** to note the FWH Ltd Audit Findings Report.

9. **LB Brent Pension Fund 2020/21 Audit Findings Report**

Waqas Hussain (External Auditor- Grant Thornton) introduced a report, which updated the Committee on the Pension Fund audit findings for the year ended 31 March 2021. In considering the report, the Committee noted:

- That the audit work was now substantially complete and subject to the final outstanding queries being resolved the External Auditors anticipated being able to issue an unqualified audit opinion.
- There had not been any adjustments identified in relation to the financial statements that had resulted in an adjustment to the Pension Fund's reported financial position.
- The risks identified within the Audit Plan, in relation to management override controls, valuation of Level Three investments and recognition in contributions. Having been evaluated however, the audit work had not identified any issues in respect of the risks identified
- The key estimates and judgements considered as part of the enhanced audit requirements.

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

- A question was asked on the assurance around the methodology used to undertake the valuation of Level 3 investments. In response it was confirmed that the assessment had included a detailed review and evaluation of the valuation process including a review of valuation statements and audited financial statements from the Fund Investment managers and the effectiveness of their internal controls. As a result no issues had been identified in respect of the valuation of Level 3 investments, which the External Auditors felt had been fairly stated.

As no further issues were raised it was **RESOLVED** to note the contents key issues and findings contained within the Audit Findings report.

10. **LB Brent 2020/21 Audit Findings Report**

Sophia Brown (Senior Manager, Grant Thornton) introduced the report, outlining the key issues and findings in relation to the statutory audit of Council's Statement of Accounts for the year ended 31 March 2021.

In considering the report the Committee noted:

- That the audit work had substantially been completed and currently there were no matters of which the auditors were aware that would require modification of their unqualified audit opinion (as detailed within Appendix E of the report) or material changes to the financial statements, subject to the outstanding matters identified within the report.
- The final quality review process was in the process of being completed, with the Value for Money work already finalised. As a result the External Auditor had been able to confirm they were satisfied the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources at this stage.
- The work of Brent Council's finance team in support of the audit during such a challenging period relating to the pandemic was acknowledged, with a particular mention to Sin-Yee Tang. The external auditors had advised they had not encountered any significant difficulties in the audit process.
- It was noted that the levels of materiality had remained the same as reported in the audit plan. Work on journals had also been completed, with no issues to report.
- The review undertaken as part of the audit in relation to the following areas of significant risks identified within the Audit Plan:
 - Fraud in expenditure recognition – with no issues identified in respect of the risk identified;
 - Valuation of land and buildings – whilst further work was being undertaken to review the impact of the useful economic lives (UELs) valuation on in year depreciation charged and accumulated buildings depreciation, this was not expected to have any significant impact;
 - Valuation of pension fund net liability – with no issues identified in respect of the risk identified;

- The key estimates and judgements considered as part of the enhanced audit requirements, with specific attention drawn to the following areas:
 - In relation to the valuation of land and buildings - the revised requirements under ISA540 had required enhanced disclosure of accounting estimates with the need identified for more work to improve the quality of the disclosures around estimation, uncertainty of land and building valuations along with consideration of alternative estimates that were available;
 - In relation to the Minimum Revenue Provision (MRP) - whilst the External Auditors had been satisfied that the Council had approved its MRP through appropriate governance structures and had sufficient reserves to cover the impact of any change in approach introduced following a recent Government consultation, the need was identified for the Council to ensure that the MRP continued to be adequate within the context of increased borrowing. Discussions were ongoing to conclude on the reasonableness of the decrease in the MRP charge for 2020/21. The Committee were also advised of an adjustment needing to be made to Brent's rating in terms of the MRP analysis of London Boroughs, which had come about as draft figures had been used up to this point, and would therefore be corrected in the final report to show as orange rather than red.
- The assessments provided in relation to the Council's Internal Control mechanisms and accompanying recommendations and Action Plan detailed in response to the issues identified during the course of the audit. These included:
 - Bank reconciliation;
 - Grants Register;
 - Payroll creditors reconciliation;
 - Security Management;
- The matters which had been identified as significant for discussion with management during the course of the audit, which had been focussed around future funding arrangements and the Dedicated Schools Grant.
- The communication requirements identified during the audit process on which confirmation was provided all responses had now been received.

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

- Members were keen to ensure that a final version of the Audit Report was provided for all members of the Advisory Committee, once available.

As no further issues were raised the Chair thanked officers for the report and efforts in responding to the actions and issues identified and it was **RESOLVED** to note the contents, key issues and findings contained within the Audit Findings report with a final version to be circulated once the necessary final adjustments and discussions had been concluded

11. Statement of Accounts

Sin-Yee Tang (Senior Finance Analyst) introduced a report detailing progress in approving the Council's Statement of Accounts for 2020/21 and providing a draft

Letter of Representation for consideration in advance of final sign off and Grant Thornton being able to issue a final audit opinion.

In considering the report the Committee noted:

- Its role in considering any issues raised by the External Auditors as part of the process for approving the Council's annual statement of accounts, with the basis for this being the "report to those charged with governance" also referred to as the ISA260 report. The Council's external auditors, Grant Thornton, produced the report following completion of the audit of accounts with the report intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. It also provided the findings from the value for money conclusion for the year.
- That following consideration of the final audit findings report, Grant Thornton had indicated they intended to give an unqualified opinion on the Council and Pension Fund accounts and a clear value for money conclusion.
- That due to final changes needing to be made to the i4B and First Wave Housing Accounts, it had not been possible to present the final accounts at the meeting and it had therefore been recommended that subject to the agreed adjustments being made, approval of the final Statement of Accounts be delegated to the Chair of the Audit & Standards Committee.

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

- Having noted the anticipated results of the audit and final adjustments being made it was agreed, in response to a suggestion made by the Chair, that a final written assurance be provided for the Chair of the Audit & Standards Committee that all outstanding matters had been addressed and complied with prior to final sign off of the accounts.
- A question was asked around cybersecurity issues and steps taken to mitigate against this risk. In response, the Committee were advised of the measures which had been introduced to address this risk including the significant investment recently agreed as part of the Council's IT Investment Strategy. Details were also provided on a cybersecurity workshop hosted by PWC on which progress was subject to current review, with the Council's Internal Audit Team and Grant Thornton also involved in reviewing implementation of the Council's new Oracle Cloud system. As a result of the issues raised it was agreed that a report would be provided for a future meeting on the actions being taken around cyber security.

With no further issue raised the Committee took the opportunity to thank all officers involved in the preparation of the accounts during such a challenging period with the pandemic. It was noted that despite these additional pressures, Brent had been one of the first Local Authorities to have completed their statement of accounts and be in the position for the External Auditors to now be completing their closing procedures enabling final sign off, well in advance of the statutory deadline on 30 November 21.

The Chair thanked officers for the report and information provided at the meeting and it was **RESOLVED**

- (1) To note the key issues and recommendations within the report.
- (2) To note the corrected audit differences.
- (3) To approve the draft Letter of Representation to Grant Thornton and recommend to Audit & Standards Committee that final approval and sign off of the Statement of Accounts and Letter of Representation be delegated to the Chair of the Audit & Standards Committee, subject to a written assurance being provided that all outstanding matters and adjustments had been addressed and made.

12. **Annual Auditors Report 2020/21**

Sophie Lewis (Grant Thornton – External Auditor) introduced a report which updated the Committee on the annual review undertaken of the Council's Value for Money arrangements.

In considering the report the Committee noted:

- Under the National Audit Office (NAO) Code of Audit Practice ('the Code') the External Auditors were now required to consider whether the authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor was no longer required to provide a qualified/unqualified VFM conclusion and instead was required to report on the Authority's overall arrangements as well as key recommendations on any significant weaknesses in arrangements which had been identified.
- The specific criteria under the new arrangements on which the Auditors were expected to focus their assessment namely Financial Sustainability, Governance and improving Economy, Efficiency and Effectiveness.
- The three categories of recommendations which could be raised by the Auditors as an outcome of the review process, as detailed within Appendix B of the report. These included statutory recommendations (of which none were identified within the report); Key recommendations where significant weaknesses had been identified (of which none had been identified) and lastly improvements which were designed to improve the arrangements already in place and not as a result of any significant weaknesses being identified. Whilst a number of improvement recommendations had been identified, no statutory or key recommendations had been raised through the audit with members noting the commentary provided in relation to the arrangements for securing economy, efficiency and effectiveness in the use of the Council's resources in relation to each of the three main criteria.
- The improvement recommendations identified were intended to provide constructive criticism and advice and it was noted that productive and positive engagement with officers regarding the recommendations had taken place.

The following issues were raised in relation to the update provided and responses provided for review by the Committee:

- Members welcomed the feedback from officers regarding the positive and constructive nature of the process and engagement with the Auditors with it recognised that Brent had been one of the first Authority's nationally to have reached this stage under the new arrangements.
- Members support to ensure that any best practice and benchmarking (especially involving social value considerations) identified as a result of the process and recommendations being made in relation to other Local Authorities as they completed the process was shared across the sector.
- Further details were sought on the improvement recommendation raised in relation to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and on the website. In response, members were advised the recommendation was about ensuring transparency in terms of distinguishing between where the Council had discretion over the use of resources and where there was a statutory requirement to do so.
- Members welcomed the report, with it noted that the improvement recommendations identified (as they related to the remit of the Committee) would be included for ongoing monitoring and review as part of the Internal Audit and Committee work programme.

As no further issues were raised the Chair thanked officers and the External Auditors for their efforts and it was **RESOLVED** to note the contents of the Auditor's Annual Report, which subject to being finalised would also need to be referred to Full Council for review and approval.

13. **Internal Audit Progress Report**

Debra Norman, Head of Audit, Legal and Investigations, introduced a report, which provided an update on progress against the Internal Audit Plan for the period 1 April 2021 to September 2021.

Before considering the report the Committee were introduced to Darren Armstrong as the new Head of Audit and Investigations, who was due to formally join the Council on 25 October 21.

In considering the report the Committee noted:

- The internal audit performance, as detailed within section 3 of the report. During the monitoring period it was reported that 13 audits had been completed, with a further three draft reports issued which were awaiting a management response.
- Details of the completed audits and key findings as set out within Appendix A of the report.
- Details of the audits currently in progress as set out within Appendix B of the report.
- Details of the completed follow up audit reviews which had been undertaken as set out in Appendix C of the report. Of the four completed during the current period, two had included high-risk actions on which further follow up work had been identified.
- The ongoing advisory work being undertaken by Internal Audit in relation to the migration of the existing finance, procurement and HR/payroll system to a

single Oracle Cloud solution in order to provide assurance around the controls and governance of the programme.

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

- A question was asked in relation to Government Covid grant payments and whether if returned or claimed back the funding would need to be returned to the Treasury. In response, it was confirmed that any funding claimed back or returned would need to be paid back once the cost of any associated recovery action had been claimed by the Council.
- Further details were sought on the programme of school audits, with members advised of the revised approach which had been adopted due to the pandemic and had resulted in minor delays to the timescales for the audit process, as detailed in section 3.13 of the report.
- Further details were sought on the progress being made with implementation of the high risk actions identified as part of the IT Platform Review related to the approval of the necessary investment proposals by partner organisations. The Committee agreed that a further update should be provided on those high risk actions recorded as either partially or not implemented, with it noted that the investment proposals formed part of the approach needing to be adopted across the IT Shared Service which Brent formed part of with Lewisham and Southwark Councils.

As no further issues were raised it was **RESOLVED** to note the content of the report and thanks were offered to the Internal Audit team for their ongoing efforts in delivering the programme during such challenging circumstances during the pandemic.

14. **Counter Fraud 2021/22 Progress Report**

Debra Norman, Head of Legal, HR, Audit & Investigations, introduced a report providing a summary of the counter fraud activity for 2021/22 Q1 and Q2, up to 31 August 2021.

In considering the report the Committee noted:

- The level of internal fraud referrals as detailed within Table A of the report, which included 14 new cases.
- The level of counter fraud activity undertaken in relation to Tenancy and Social Housing Fraud for 2021/22, as detailed within Table B of the report.
- The level of external fraud activity for 2021/22 as detailed within Table C of the report, with a decrease in referrals being reported that was consistent with pre-lockdown arrangements.
- The level of proactive counter fraud activity undertaken during 2021/22 as detailed within Table D of the report. This had included activity in relation to Covid discretionary business grant payments.
- The level of notional and actual savings identified as a result of counter fraud activity and investigations, as detailed within Table E of the report.
- In terms of other counter fraud related activity, it was reported that four new identify scanners had been installed at the Civic Centre located within the

recruitment, registrar and customer services teams. In addition members were advised that two new staff would shortly join the team as Counter Fraud officers funded by a Government anti-housing fraud grant as part of a new Counter Fraud apprenticeship scheme.

As no further issues were raised the Chair thanked staff within the counter fraud team for their ongoing efforts with members welcoming the proactive nature of the work being undertaken and it was **RESOLVED** to note the contents of the report.

15. **External Audit Progress Report**

The Chair advised that this report had been withdrawn from the agenda in advance of the meeting.

16. **Forward Plan and Work Programme**

It was **RESOLVED** to note the Committee's latest Forward Plan and date of the next meeting as Tuesday 07 December 2021.

17 **Any other urgent Business**

None.

The meeting closed at 8.10 pm

David Ewart
Chair