



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Tuesday 07 December 2021 at 6.00 pm.

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

Independent Advisor: Vineeta Manchanda (in remote attendance)

Also Present (in remote attendance): Councillors Choudhary, Mitchell Murray & McLennan (Deputy Leader & Lead Member for Resources)

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

Apologies were received from Councillors Donnelly Jackson, Long, Kansagra and Naheerathan along with Mark Mills & Javed Ansari (Independent Co-opted Member), Paul Dossett (Grant Thornton) and Carolyn Downs (Chief Executive).

It was noted that whilst Councillor Mitchell Murray was also present as a substitute for Councillor Long and Councillor Choudhary as a substitute for Councillor Donnelly Jackson, they would not be able to formally participate in any decisions taking during the meeting given they were both in remote attendance.

2. **Declarations of Interest**

David Ewart declared a personal interest in Agenda Item 10 (CIPFA Financial Management Code and Redman Review – Progress Report) as a member of CIPFA.

3. **Deputations (if any)**

None.

4. **Minutes of the previous meeting**

It was **RESOLVED** that the minutes of the previous meeting held on 22 September 2021 be approved.

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

David Ewart (as Chair) noted that Brent Council had been one of only 9% of local authorities to have submitted and had the audit of their accounts completed on time, with thanks recorded to all those involved for their efforts.

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

Debra Norman, Director of Legal, HR, Audit & Investigations, 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 registered by members during August – October 2021 as set out within section 3.3 of the report.
- The update provided in relation to completion of the required mandatory training courses by councillors as detailed in section 3.6 of the report. It was noted that all mandatory training had been completed, with the exception of the 13 members still to complete their Data Protection/GDPR training. Members were advised that access to the training system had been unavailable for two to three weeks during October with one further member (Councillor Johnson) now having completed the training and support being sought from each political group to ensure the necessary training was completed.
- The progress being made (following comments raised by the Committee) in terms of providing the online training offer in more accessible formats as detailed in section 3.7 of the report.

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

- Concern was expressed regarding the length of time the training still to be completed by members had been outstanding with it clarified that officers had been actively involved in pursuing this with the relevant members and were also seeking the support of the political groups to assist.
- Given the length of time the training had been outstanding the Committee also requested that future updates included an outline of any changes during the previous quarter in the monitoring position with it confirmed that this information would be included in future reports.

As a result of the discussion at the meeting it was **RESOLVED** to note the contents of the report and additional monitoring information to be provided within future reports in relation to member training.

7. Review of the Constitutional Working Group

Debra Norman (Director of Legal, HR, Audit & Investigations) introduced a report which she advised had been provided for the Committee in response to a recommendation from the Resources and Public Realm Scrutiny (RPR) Committee. The report provided a review of the current role and operation of the Constitutional Working Group (CWG) and highlighted steps taken already in response to the Scrutiny Committee recommendation.

In considering the report the Committee noted:

- The recommendation made by the RPR Scrutiny Committee at its meeting on the 14 September 21 recommending a review of the democratic oversight and transparency within the CWG. The role of CWG and outcome of the review undertaken as a result had been detailed within section 3 of the report, which

included an outline of the current CWG arrangements and the extent to which these already provided for democratic overview and transparency, as well as Member involvement. These arrangements included the referral of any significant changes to the Constitution supported by CWG to Full Council for consideration and approval enabling consideration by all members; the ability to refer proposed changes being considered to the Council's constitutional arrangements to the Audit & Standards Advisory Committee for detailed consideration prior to referral to Full Council and the involvement of cross party membership on CWG with the ability to engage with their respective political groups as necessary.

- The benchmarking undertaken with other authorities carried out as part of the review, as detailed within section 3.8 of the report. This had identified a range of practices in terms of the arrangements other local authorities had in place to consider constitutional matters. In addition to the CWG, Brent had in place a range of similar mechanisms.
- That the effectiveness of the current arrangements had also been considered by CWG in November 2021. Whilst the existing mechanisms were felt to work well one potential improvement identified had been the inviting of other members e.g. the chairs of relevant committees, when a matter was being considered which affected their remit or operation. Aside from that, CWG had felt it would be more appropriate to undertake any further review following the Local Elections in May 2022. This would enable the new Administration to consider any further changes felt necessary.
- The additional actions undertaken in response to the scrutiny recommendation, alongside the review which included use of the Members Bulletin to seek further views on potential improvements and development of a list detailing previous changes made to the Constitution.

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

- Members were supportive of a further review being undertaken following the local elections in May 2022 with a subsequent report also being provided for the Committee.
- Whilst recognising the role of CWG and democratic accountability already built in to any review of constitutional matters, members were keen to ensure that the consideration of these issues was subject to the necessary oversight in order to ensure that the Council's Governance arrangements remained as open and transparent as possible.
- The ability already available to members to liaise with members on CWG in order to highlight or discuss any constitutional matters which it was felt may benefit from consideration by CWG.

As no further issues were raised it was **RESOLVED** to note the contents of the report and agree to a further report being provided following the Local Government Elections in May 2022.

8. **Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal**

Debra Norman, Director of Legal, HR, Audit & Investigations, introduced a report updating the Audit and Standards Advisory Committee on a recent review of the financial and procedural rules governing the Mayor's Charity Appeal.

In presenting the report the Committee noted that the review had been undertaken as a part of a periodic process to ensure the Financial and Procedural Rules governing the Charity remained transparent and accurate. As a result of the current review no major changes had been identified with only minor modifications being recommended in order to reflect organisational changes in the titles of officers involved in the day to day management of the Charity. Having considered the report it was **RESOLVED** to

- (1) note the content of the report and the amendments proposed to the Financial and Procedural Rules governing the management of the Mayors Charity Appeal, as set out within Appendix 1 of the report.
- (2) Approve the proposed changes to the Financial and Procedural Rules for recommendation on to the Audit & Standards Committee for final confirmation.

9. **Cyber-Security Strategy implementation update**

Peter Gadsdon, Strategic Director, Customer and Digital Services, introduced a report requested at the previous meeting, regarding the actions that the Council were taking in relation to cyber security. Details on the progress in implementing the Brent and Shared Technology Service (STS) cyber security strategies had been set out in Appendix 1 of the report. In considering the report the Committee noted:

- The nature and background of the Shared Technology Service (STS) as a shared IT service providing services for the London Boroughs of Brent, Lewisham & Southwark, with Brent as the host borough.
- Within Brent, the Council had been one of the first to develop and agree a Cyber Security Strategy (BCSS). This had been in place since 2019 and had been designed to strengthen Brent's IT network and support delivery of the 2019-23 Digital Strategy. This had been supported by a cyber security work programme based around the key principles within the government backed "Cyber Essentials" scheme. The BCSS had been detailed within Appendix 2 of the report and was currently being refreshed to align with Brent's updated Digital Strategy 2022-26 and to ensure compliance with the latest security standards and Cyber Essentials certification. Additionally, the STS had also developed their own cyber security strategy (STSCSS) which had been provided within Appendix 3 of the report. This had been aligned with Brent's strategy with the recommendations having been embedded in all areas of new and emerging technologies which STS implemented for Brent and the other boroughs within the shared service.
- The difference in infrastructure and arrangements between the boroughs within the shared service and challenges created by the rapidly changing nature of technology and cyber threats, with the STS committed to a programme of investment in infrastructure and cyber security as outlined within their Technology Roadmap. Brent had invested £10m over 4 years to support delivery of the Roadmap alongside similar levels of investment by the other member boroughs.

- The risk of cyber attack had been included as a key risk on Brent's strategic risk register owned by the Managing Director of the STS. Details on the various mitigation measures undertaken to manage the risk had been detailed within section 3 of the report. Referring, as an example, to the high profile attack on Hackney Council's IT network in 2020 members were advised that the STS had implemented a cloud based corporate back-up solution by Rubrik to counter any similar types of ransomware attacks. This was supported by use of a third party Security Operations Centre to monitor unusual activity, disable and remove any detected threats along with a continual programme of activity to ensure that the versions of software and applications supported included the latest security updates.
- In terms of network safety, all iPads which were out of date had been switched off, as well as older models of iPhones. A caching process was noted as being in place.
- Whilst the measures identified had seen a reduction in cyber investigations over the last 12 months a self-assessment review of the organisations cyber security arrangements and demands on security functions managed by the STS and within the Council had been undertaken facilitated through an Internal Audit workshop. The findings from the workshop in terms of gaps and issues identified had been collated, shared and built into development of the strategy.

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

- Members were keen to explore any potential gaps in the strategy which had been identified as a result of the work facilitated by Internal Audit and the longer term work planned to develop the strategy and risks identified. In response members were advised that a majority of the gaps identified were process driven, either involving processes in place which needed improving or existing processes which needed documenting. In terms of technical recommendations, there were still some software and operating systems that needed updating which were subject to a continual update programme of work. In addition, in depth reviews and penetration tests were being carried out by an external specialists, as well as Public Service Network in order to assess resilience with guidance being monitored and followed from the National Cyber Security Centre. It was also noted that the STS had also established a cyber security team including a number of cyber-analysts who also conducted regular checks as part of the compliance submissions.
- A further query was raised in relation to the management of replacement/redundant hardware and any Bring Your Own Device (BYOD) policy as part of the cyber security strategy. In response members were advised of the controls in place in relation to asset and device management, which included a programme of replacement for end of life mobile devices and introduction of Multi Factor Authentication for all Office 365 access. In terms of use of own devices these would be controlled as they would only be able to connect to any Brent applications through a secure network connection. It was noted, however, that members currently accessed the network through a separate dedicated server with members being their own data controllers. This meant they were currently responsible for ensuring the devices they used were subject to the latest updates and would need to provide their devices to

STS to upload these. This process was, however, being changed to provide a secure part of the main server through which the necessary security patches and updates could be automatically uploaded to their devices. Once connected to Brent applications these connections would be via a secure network.

- In terms of progress on Cyber-Essentials certification it was noted that accreditation was planned for submission in early January 2022.
- Members welcomed the positive relationship established between STS and Internal Audit with it noted that a review of the Council's security controls developed to prevent and detect incidents given the increasing reliance on technology to support more flexible ways of working was also planned as part of the Internal Audit Plan to commence in Q4 2022.

As no further issues were raised the Chair thanked officers for their work in presenting the report and update for the Committee and it was **RESOLVED** to note the update provided and ongoing work to develop, implement and manage the Brent and STS cyber security strategies. .

10. **CIPFA Financial Management Code and Redman Review- Progress Report**

Francis Austin, Financial Consultant, introduced a report updating the Committee on progress with implementation of the CIPFA Financial Management Code and the Redmond Review of Audit and Transparency in Local Authority Financial Reporting.

In considering the report the Committee noted:

- The background to introduction of the CIPFA Financial Management (FM) Code and Redman Review as set out within section 4 of the report. The Code had been designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability and included six core principles (within a Statement of Principles of Good Financial Management) to be used as benchmarks against which all financial management should be assessed. These principles had been translated into a series of Financial Management Standards (FMS), which the focus was now around implementing.
- That whilst compliance with the FM Code and FMS was a requirement, their implementation also presented a wider opportunity to focus on the delivery of other tangible benefits and improvements.
- The background to the Redman Review, as detailed within section 4.4 of the report which had been focussed on oversight of local audit, and the transparency of local authority financial reporting. This had included identifying the requirement for each Local Authority Audit Committee to include independent members, which was already the case in Brent. Recommendations had also included simplification of local authority accounts, including a service based outturn statement, which whilst accepted by CIPFA in principle had not yet been formally incorporated within the Code of Practice on Local Authority Accounting. Whilst further details were therefore awaited from CIPFA on the detailed requirements, it was confirmed that preparatory work aligning the review recommendations had already informed the wider project and work around implementation of the FM Code.

- The FM Code had also sought to consolidate existing codes of practice and guidance into a coherent model for effective financial management. This had been based around two main strands - a joined up long term financial planning process backed by good governance with implementation providing an opportunity to introduce further financial management arrangements aimed at driving value for money and providing assurance on long term financial planning and financial sustainability.
- Brent was required to have detailed plans in place to implement the FM Code by the end of the 2021/22 financial year with the report detailing current progress on the core workstreams (as set out within Appendix 1), the recommended approach and next steps in the process. The project was expected to move into delivery phase early in 2022 with a series of quick wins due to be delivered by the end of March 2022 and the remainder of the workstreams targeted to complete by December 2022.
- In terms of progress to date, Brent's position in relation to compliance was identified as mixed. Members were, however, assured that this did not signify anything was deficient but reflected the fact that the FM Code had combined existing requirements with new activities e.g. Financial Resilience Assessment. Where there were existing statutory or professional requirements Brent was therefore in full compliance, however, where CIPFA had introduced a new requirement this reflected the need for existing activities to be adapted in order to satisfy the new requirements within the Code.
- The significant focus and challenges in terms of the work required in developing the new processes and procedures to support the move towards introducing and embedding a longer term financial planning framework that could be focussed around the different financial planning activities already in place as well as on securing the necessary financial sustainability and risk assessments required under the Code.

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

- Having noted the progress to date in terms of delivery of the workstreams and overall project, members sought further details on any areas within the FM Code which Brent had not been identified as at least already partially meeting. In response the Committee was reminded that the Code included a number of new requirements, such as the need to produce a Financial Resilience Assessment and it was in these areas that work needed to be focussed in order to adjust existing activities to satisfy the Code. Details on the current levels of compliance had been set out within Graph 1 included as part of the report.
- The need identified that in order to ensure successful implementation of the Code this was undertaken on the basis of practicable and meaningful processes which could be easily understood.
- Details were sought on the main ways in which it was felt the Code would impact on the current role and operation of the Council's Finance function and team. In response members were advised that the main change would involve the introduction of a longer term financial planning framework, given the current challenges created by the more short term nature of Government Spending Reviews and Funding Settlements and the electoral cycle. The Council had already introduced a Medium Term Financial Strategy designed

to take a longer term view in relation to financial planning, however it was recognised that this move towards more longer term planning would also need to be accompanied by the necessary cultural change, which members expressed support for given the positive opportunities identified in terms of being able to plan more effectively for the future in way that was not only ambitious, but was also prudent, cost effective and sustainable.

- It was asked whether the Council were currently on target to meet the requirements of the FM Code, to which it was clarified that the Council were on track.

As no further issues were raised it was **RESOLVED** to note the report and progress being made in terms of implementation of the FM Code.

11. **Treasury Management Mid Year Report 2020/21**

Amanda Healy, Head of Finance, introduced a report updating Members on treasury activity for the first half of the financial year 2021-22.

In considering the report the Committee noted:

- The economic background on which the review had been based, as detailed within section 3 of the report with the Committee advised of the stabilisation in the financial markets over the summer, the bank rate remaining at 0.1% and inflation rising to 3.2%.
- The movement in standard rates at which local authorities could borrow from the Public Works Loan Board (PWLB) as detailed within section 3.13 of the report and change in lending arrangements, designed to ensure that assets were not being invested by Local Authorities primarily for yield.
- The update provided in relation to the Council's debt management position, as detailed within section 3.14 – 3.24 of the report. Members were advised that the Council had undertaken minimal borrowing through the first half of the year. The estimated borrowing requirement for the remainder of the financial year 2021/22, which took account of the Council's ongoing capital financing requirement, usable reserves, planned capital expenditure and minimum revenue provision, had been identified as £60m for the remainder of the year.
- The Council's main objective when borrowing which involved ensuring an appropriately low risk balance between securing low interest costs and achieving cost certainty. In terms of long term borrowing options, PWLB remained the main source given the relatively low current funding margins, however, forward funding options also continued to be explored, in order to secure low rates, with the Council continuing to evaluate and pursue alternative low cost solutions and opportunities as they arose.
- The update provided in relation to the Council's Treasury Investment Activity, as detailed in sections 3.25 – 3.34 of the report with most of the Council's funds currently being held in Money Market Funds.
- The risks and mitigations identified in relation to the Council's Treasury Management portfolio as detailed within section 3.35 and Appendix 1 of the report.
- The assurance provided that the Council had complied with the Treasury Management Indicators for 2021/22, as detailed within Appendix 1 of the report.

As no further issues were raised, the Chair thanked officers for the report and information provided at the meeting and it was **RESOLVED** to note the contents of the report for reference on to Cabinet and Council along with the fact that the Council were fully compliant with the Council's Treasury Management indicators.

12. Treasury Management Strategy 2022-23

Amanda Healy, Head of Finance, introduced a report presenting the draft Treasury Management Strategy (TMS) for 2022/23 for consideration by the Committee.

In considering the report the Committee noted:

- The strategy was currently in draft format, and would be finalised for inclusion as part of the annual budget setting report due to be presented to Cabinet and Council in February 2022.
- The Strategy set out the framework for the Council's Treasury Management activity in 2022/23 and included an outline of the Council's borrowing strategy and sources of debt finance (including the Liability Benchmark); investment strategy (including types and prescribed limits); Treasury Management Indicators for 2022/23; alternative options & strategies along with an external and local context.

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

- Further detail was sought on the breakdown of Capital Financing Requirement which had been detailed within the strategy given the impact on the Council's borrowing requirement. In response members were advised that this would involve the need to undertake additional external borrowing over the forecast period which would be in line with capital expenditure plans. This included carrying out viability assessments for schemes which did not contain an identified funding source and borrowing undertaken in line with the strategy identified in the report for those schemes assessed as a strategic priority with no alternative source of funding. This would be aligned with the Council's general fund and the revenue budget to ensure that interest costs could be covered.
- Members request as to whether a net borrowing figure could be provided, which included a schedule for projects along with an outline of their cashflow and funding sources in order to assist in providing a high level and longer term overview. Officers advised that these details could be provided as part of any future monitoring updates.
- Having noted the relatively low risk nature of Brent's Treasury Management Policy with regards to the investment of surplus funds, details were sought on any benchmarking undertaken with other similar Local Authorities regarding their risk appetite. In response, members were advised of the need to recognise the way in which long term borrowing restricted the options to increase risk appetite. In terms of other authorities, it was noted that many displayed the same credit risk yield as Brent. Although potentially higher risk it was, however acknowledged that there were opportunities to explore higher yields, with choices to also be made around providing capital investment for outcomes such as housing, against using investment to make a return.

As no further issues were raised it was **RESOLVED** to note and endorse the Draft Treasury Management Strategy 2022/23 as set out within Appendix 1 of the report and request that the final report be circulated to Members on completion.

13. Internal Audit Charter

Darren Armstrong, Head of Internal Audit and Investigations, introduced a report setting out a revised Internal Audit Charter, for consideration and approval.

In considering the report the Committee noted:

- The requirement under the Public Sector Internal Audit Standards for the Council to define the purpose, authority and responsibility of its Internal Audit function within an Internal Audit Charter.
- The review process was undertaken every two years, with the last having been undertaken in 2019. The review process provided an opportunity to reflect updated standards and guidance as well as best practice, with the Charter aligned to the model template provided by the Institute of Internal Auditors (IIA). It was noted that the contents of the charter (as detailed within Appendix 1 of the report) had remained consistent with the previous version, whilst incorporating the 10 key headings suggested by the IIA.
- The key amendments proposed to the Charter following the review, as set out within section 3.3 of the report, included updating the mission statement of the Internal Audit Function; further defining mechanisms in place to maintain the independence and objectivity of the Internal Audit function; summarising the scope of internal audit activities and outlining the role and relationship of the internal audit function with the Council's risk management and counter fraud arrangements.
- The requirement within the Charter for a review of the Quality Assurance and Improvement Programme covering internal audit activity to be undertaken at least every five years. Whilst this was not technically due until 2023 in Brent, best practice recommended that such an external assessment be undertaken upon the appointment of a new Head of Internal Audit. Following the appointment of Darren Armstrong as the new Head of Internal Audit members were advised of the proposals therefore being developed to undertake the assessment ahead of schedule during the 2022/23 financial year.

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

- In response to a request for any initial observations regarding the internal audit function in Brent, the Head of Internal Audit and Investigations' highlighted what he felt to be the effective nature of the internal audit function, it's compliance with the Charter and a strong profile across the organisation, which included access to key stakeholders and officers.
- In terms of the current staffing position within the function, members were advised that there were currently no vacancies, although the challenging nature of the current employment market was highlighted in terms of the recruitment and retention of qualified internal audit staff. As a result the Council were

involved as part of cross council discussions, in seeking to develop further pathways into Internal Audit.

As no further issues the Chair thanked Darren Armstrong for the report and it was **RESOLVED** to approve the revised Internal Audit Charter, as set out in Appendix 1.

14. External Audit Progress Report

Omer Awais, Manager, Grant Thornton, introduced a report providing an update on the progress being made by Grant Thornton as the Council's auditors along with a wider sector update

In considering the report the Committee noted:

- That work on the Financial Statement audit and opinion and Value for Money audit had been completed as previously reported to the Committee. The Annual Audit Report was now scheduled to be presented to Full Council in February 2022.
- The progress on the certification of claims and returns, with the findings in relation to the Council's annual Housing Benefit claim due to be completed in January 22 and reported to the Committee in March 22. Work was also on track in relation to certification of the annual Teachers Pension return and pooling of Housing Capital receipts.
- The update provided in relation to progress on audit deliverables.
- The update provided in relation to the Financial Reporting Council (FRC) review of the work of local auditors, including Grant Thornton. In terms of the audits reviewed 67% had been graded as "good" and none identified as requiring significant improvement. Value for Money work was also identified as continuing to be delivered to a high standard and the FRC also having identified a number of good practices.
- The sector updates provided in relation to emerging national issues and developments identified as relevant to local authorities, including lessons learnt from recent Public Interest reports.

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

In response to the recent challenge from the Chair of the House of Commons Public Accounts Committee regarding the FRC report on local auditors an assurance was provided regarding the scope of the FRCs inspection across the sector and in particular Grant Thornton and with regard to the range of audits which had been reviewed in terms of the key findings and improvement recommendations identified as a result.

As no further issues were raised the Chair thanked Omar Awais for the update and it was **RESOLVED** to note the contents of the report.

14. Forward Plan and Agenda

It was **RESOLVED** to note the Committee's latest Forward Plan and date of the next meeting as Monday 31 January 2022.

15. **Any other urgent Business**

None.

The meeting closed at 7.20 pm

David Ewart
Chair