



**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Held as an online meeting on Monday 31 January 2022 at 6.00 pm.**

PRESENT (in remote attendance): David Ewart (Chair), Councillor Lo (Vice-Chair) and Councillors Akram, Johnson, Kansagra and Long.

Independent Advisor (in remote attendance): Vineeta Manchanda

Independent Members (in remote attendance): Mark Mills and Javed Ansari.

Also present (in remote attendance): Councillor McLennan (Deputy Leader & Lead Member for Resources).

1. Apologies for absence and clarification of alternate members

Apologies for absence were received from Councillors Donnelly Jackson and Naheerathan along with Paul Dossett (Grant Thornton – External Auditor).

An apology for lateness was received from Councillor Johnson.

2. Declarations of Interest

None.

3. Deputations (if any)

None.

4. Minutes of the previous meeting

It was **RESOLVED** that the minutes of the previous meeting held on 7 December 2021 be approved as a correct record.

5. Matters arising (if any)

Min 12 – Treasury Management Strategy 2022-23

Given the recent changes announced in interest rates further clarification was sought on any impact these may have on the Strategy identified moving forward. In response Minesh Patel (Director of Finance) assured members that provision for changes in interest rates and inflation had been built into the modelling process and viability assessments undertaken in relation to ongoing development of the Strategy.

6. Internal Audit Progress Report

Darren Armstrong, Head of Audit & Investigations, introduced a report updating the Committee on progress against the Internal Audit Plan for the period October to December 2021.

In considering the report the Committee noted:

- The overall performance of the Internal Audit Team during the monitoring period along with the summary of work undertaken, as detailed within section 3 of the report.
- The work undertaken during the current monitoring period to review and reprioritise the 2021-22 Internal Audit Plan, in consultation with senior management and good practice, in order to ensure that all key and priority audits were completed and to reflect any additional risks or issues which had been identified. This had resulted in 10 non-priority audits originally planned for 2021-22 being deferred to 2022-23, with details provided in Appendix 3 of the report.
- The details of the three audits completed during the monitoring period, as detailed within Appendix A of the report along with the positive management responses which had been received for each of them.
- The details of the audits currently in progress and due to be completed in 2021-22, as set out within Appendix B of the report.
- The details of the follow up reviews which had either been completed or were still in progress, as set out in Appendix D of the report.
- The work being undertaken to develop the 2022-23 Internal Audit Plan in consultation with senior management across the Council.

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

- Whilst noting the positive responses received in relation to feedback on individual audits as part of the customer satisfaction process, observations were highlighted at the low rate of returns being provided with further detail sought on how this compared across other Internal Audit functions and ways in which response rates could be improved. In recognising the importance of customer feedback as part of the continuous improvement of the service the Committee was advised that this was a common theme experienced across other Internal Audit Functions and of the work being undertaken to trial new ways of seeking feedback and measuring performance.
- In response to a query regarding the findings arising from the Homecare Audit detailed within Appendix 1 of the report, further clarification was provided on the high risk finding relating to direct payment accounts and management response in relation to the treatment of excess funds. Whilst there was no standard definition, Members were advised that for the purposes of the audit excess funds had been identified as balances which had exceeded the combined value of three month's worth of direct payments with the values involved therefore differing according to individual clients. In terms of management action and controls which had been established, the Committee was advised that a clawback exercise was in progress with members having noted the increase in Direct Payments being administered and impact of the wider focus and re prioritisation of the Direct Payments Team in supporting clients during the pandemic and in some clients having ceased using their

Direct Payments to pay for care. As the recovery from the pandemic progressed the work of the team was now returning to business as usual enabling the clawback process to be progressed which it was confirmed would involve liaison with the clients on case by case basis.

- Further clarification was also provided on the outcome of the audit completed in relation to the recording and monitoring of the Council's Gifts and Hospitality policy for officers and members, as detailed within Appendix 1 of the report. Members were advised that whilst clear guidance and criteria had been included within the policy one of the management actions agreed had been to increase accessibility to the policy with reminders being made available for staff about the need to ensure they were complying with the policy. It was confirmed this would include front line workers such as housing estate caretakers.
- In response to a query raised on those audits still in progress, confirmation was provided that progress remained on track for their completion as part of the 2021-22 audit.
- Members also noted the feedback provided by the Vice-Chair on a recent meeting of Audit Committee Chairs from across London which had included a focus on how lessons and best practice identified from audit practices and findings could be shared.

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

7. Counter Fraud Progress Report

Darren Armstrong, Head of Audit & Investigations, introduced a report providing a summary of the counter fraud activity for 2021/22 to Quarter 3.

In considering the report the Committee noted:

- The continued delivery of a high level of counter fraud activity across the organisation focussed around internal referrals, Tenancy & Social Housing Fraud and other types of External Fraud including Blue Badges, Direct Payments, Council Tax and Business Rates, insurance, finance concessionary travel and grant payments, as detailed within section 3 of the report. Members noted that the level of cases and referrals had remained stable during the current monitoring period and was consistent with previous years with the trend suggesting that the service profile and engagement across the Council remained effective.
- The ongoing positive impact being achieved through counter fraud activity across the Council in relation to the financial impact involving both notional and actual savings, as summarised in section 3.22 of the report.
- The range of proactive activity also being delivered by the team based on an assessment of fraud risk and close work with the Internal Audit team. This included National Fraud Initiative data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews across service areas.
- Other activity being undertaken included the Council's membership of the Enhanced Internal Fraud Database with a planned go live during Quarter 4, the installation and use of four new identity scanners within Recruitment,

Registrars and Customer Services and the engagement of two staff as Trainee Counter Fraud Officers under the new Counter Fraud Apprenticeship programme.

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

- In terms of tenancy and social housing fraud, further details were sought as to how activity and performance compared to previous years. In response members were advised that cases and referrals remained broadly consistent with previous years with the team continuing to work closely with Brent's Housing Management (BHM) team in order to increase the quality and quantity of referrals. In addition the Committee was advised of the work being undertaken with relevant BHM staff to provide appropriate fraud risk training and access to anti-fraud and tracing systems in order to aid the verification process involving succession and right to buy applications and to support progress with the ongoing tenancy audit and anti-fraud strategy. Members were supportive of the work being undertaken with further details sought on any impacts relating to the pandemic. Whilst noting that some delays had been experienced as a result of operating restrictions and backlogs in being able to progress legal proceedings through the court system these were now being addressed as normal service provision was able to resume and face to face contact and tenancy verification visits etc were now able to proceed.
- The Committee welcomed the introduction and use of the new identity scanners as a means of supporting counter fraud activity also took the opportunity to express support for the appointments made under the Counter Fraud Apprenticeship programme.

As no further issues were raised the Chair thanked Darren Armstrong and the Counter Fraud Team for the level of activity and performance being achieved and it was **RESOLVED** to note the contents of the report.

8. **External Audit Appointment for 2023/24 to 2028/29**

Ben Ainsworth, Head of Finance, introduced a report detailing proposals for the arrangements to appoint the external auditor to the Council for the five-year period from 2023/24.

In considering the report the Committee noted:

- The three options available to the Council in terms of the arrangements for seeking to appoint its external auditor as detailed within section 3.1 of the report. The Council were currently opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period up to 2022/23.
- The arrangements currently being undertaken through PSAA to undertake a procurement for the next appointing period, covering audits from 2023/24 to 2027/28, with the Council therefore needing to review the options available in order to agree a preferred approach.
- Having assessed the options available and undertaken discussions with other local authorities across London it had been felt that the sector wide

procurement and national collective scheme being administered and conducted by PSAA would produce better outcomes and provide wider benefits than any more complex procurement arrangements undertaken locally both in terms of mitigating risk and also in terms of cost.

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

- Clarification was sought on the way in which any additional add on costs would be included in the base specification for the contract, particularly given the recent pressures across the audit sector and changes in audit regulations and requirements being led through the Financial Reporting Council (FRC). Whilst recognising the challenges involved as a result of these additional requirements being introduced members were advised of the approach being undertaken by PSAA to establish a realistic specification and fee level for the required activity working with the market.
- In outlining the appointment process, confirmation was provided that should the Council wish to continue taking advantage of the national auditor appointment arrangements this would need to be confirmed following a recommendation made and decision taken at Full Council, with a provisional decision (subject to agreement by the Committee) scheduled for February 2022.
- In response to further details being sought on the procurement process, confirmation was provided that the national arrangements would not involve representatives from individual authorities with the process designed to maximise market intelligence and engagement with a wide range of providers across the sector.
- In response to a query regarding the turnover of audit partners, members were advised that limits were in place in terms of the time a specific audit partner could provide external audit functions for an individual authority. Further details would need to be provided on the position regarding the available appointment period for the Council's current partner, Grant Thornton.

As no further issues were raised it was **RESOLVED** recommend to Full Council that the Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023, be accepted.

9. External Audit Progress Report

Sophia Brown, Senior Manager, Grant Thornton, introduced a report providing an update on the progress being made by Grant Thornton as the Council's auditors.

In considering the report the Committee noted:

- Work on the Council's 2020/21 Value for Money Audit had been concluded with the final report due to be presented to Full Council on 24 February 2022. The Chair commended all those involved in completion of the audit with no significant issues having been identified.
- The planning being undertaken to prepare and commence work on the audit of the 2021/22 financial statements, which was due to commence in March

2022 with the final deadline for submission having been moved back to 30 November 2022.

- The progress on the certification of claims and returns with the findings in relation to the Council's annual Housing Benefit claim now substantially complete enabling its submission within the extended deadline. Work was also progressing in relation to completing certification of the annual Teachers Pension return and pooling of Housing Capital receipts.
- The update provided in relation to progress on audit deliverables
- The final proposed audit fees for 2020/21 taking account of the recent changes introduced by the FRC in relation to audit requirements.

As no further comments were raised the Chair thanked Sophia Brown for the update and it was **RESOLVED** to note the contents of the report.

10. **Forward Plan and Agenda**

It was **RESOLVED** to note the Committee's latest Forward Plan and date of the next meeting as Tuesday 15 March 2022.

11. **Any other urgent Business**

None.

The meeting closed at 6.48pm

David Ewart
Chair