

	Audit and Standards Advisory Committee 6 June 2023
	Report from the Corporate Director of Finance and Resources
Annual Report of the Chairs of the Audit and Standards Committee and Audit and Standards Advisory Committee	

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance and Resources 020 8937 4043 minesh.patel@brent.gov.uk

1. Purpose of Report

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

2. Recommendation

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

3. Introduction

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

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

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

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

4. Overview

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

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

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

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

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

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

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

5. Standards Matters

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

6. Audit Matters

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

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

7. Regulatory Framework

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

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

8. Statement of Accounts

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

9. Review of the effectiveness of the Committees

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

10. Conclusion

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

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

11. Financial Implications

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

12. Legal Implications

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

13. Equality Implications

13.1 None

13. Consultation with Ward Members and Stakeholders

13.1 None

Report sign off:

Minesh Patel,

Corporate Director Finance and Resources