



**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Tuesday 26 September
2023 at 6.00 pm**

PRESENT: Councillor David Ewart (Chair) and Councillors S.Butt, Choudry, Long, J.Patel, and Smith.

Independent Advisor: Vineeta Manchanda.

Also present: Councillor M Butt (Leader of the Council) and Julie Byrom (Independent Person – attended online).

1. Apologies for absence and clarification of alternate members

Apologies were received from Councillor Chan, Councillor Kabir and Stephen Ross (Independent co-opted Member).

2. Declarations of Interest

David Ewart (Chair) declared a personal interest as a member of CIPFA.

Councillor S.Butt declared an interest in relation Item 7 as one of the Directors of i4b and First Wave Housing.

3. Deputations (if any)

None received.

4. Minutes of the previous meeting

RESOLVED that the minutes of the previous meeting held on Tuesday 18 July 2023 be approved as a correct record.

Members noted the updates provided in relation to items listed on the Action Log.

5. Matters arising (if any)

None.

6. Standards Report (including Gifts & Hospitality)

Debra Norman, Corporate Director of Governance, introduced a report updating the Audit and Standards Advisory Committee (ASAC) on gifts and hospitality registered by Members and Member training. The Committee noted the following key points:

- The details of Gifts and Hospitality registered by members in the second quarter of 2023/24 were detailed in Appendix A of the report.

- Following a recruitment exercise to fill the outstanding Independent Co-opted Member post, two candidates were recognised as appointable, with Stephen Ross being offered the position on a 4-year term as agreed by Full Council on 10.07.23.
- Following the resignation of Independent Co-opted member Rachael Tiffen, the second candidate, Rhys Jarvis was offered the newly vacant position, which was approved by Full Council on 18.09.23.
- In relation to member attendance at mandatory training sessions, the Committee was advised that all members had completed their core mandatory refresher training with the exception of Data Protection & Information Security. A repeat virtual training session was scheduled to take place on 5.10.23 to enable the outstanding members (as listed in Appendix B) to complete the training.

The Committee re-iterated that they felt it was particularly important that Cabinet Members who had not completed the outstanding training did so, as by virtue of their Cabinet positions they would be exposed to significantly increased levels of sensitive data.

As no further issues were raised the Chair thanked Debra Norman for the update provided and it was **RESOLVED** to note the content of the report.

7. **To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd**

Ahead of the formal introduction of the item, the Chair advised the Committee of a change in the reporting of i4B and First Wave Housing as it was recognised that the role of the Audit & Standards Advisory Committee was to scrutinise the Council oversight of the companies as opposed to scrutinising the companies themselves.

Ravinder Jassar, Deputy Director of Finance introduced the reports that updated the Committee on the work of both First Wave Housing Ltd (FWH) and i4B Holdings Ltd (i4B) to deliver against their business plans.

Key issues highlighted were as follows:

- The Committee was advised that following a review of the Committee's arrangements and in consultation with the Chair and Vice Chair, it had been agreed that the Committee would receive bi-annual reports from the Council's Chief Executive and Corporate Director of Finance & Resources to provide assurance on the arrangements the Council, as Guarantor of FWH and shareholder in i4B, had in place to oversee the good performance and governance of the companies. It was recognised that this revised approach was in line with best practice as recommended by CIPFA.
- The Committee's attention was drawn to Section 3.4 of the reports that laid out the governance arrangements in place.
- It was highlighted that both business models remained in financially strong and stable positions.
- Voids and rent collections continued to be areas that required focus.

The Chair invited the Committee to ask officers any questions or clarifying points in relation to both i4B and FWH.

The following points were discussed:

- The Committee felt there should be enhanced regular scrutiny of i4B and FWH, Peter Gadson, Corporate Director of Resident Services, advised that there were plans to hold a joint scrutiny Committee meeting in January 2024 with both the Resources & Public Realm Scrutiny Committee and Community & Wellbeing Scrutiny to examine the companies in more detail, and if it was felt to be an effective way forward, regular opportunities for scrutiny of the companies could be undertaken via their inclusion on the Committee's work plans. The Chair agreed as a forward action to liaise with the Chairs of both Scrutiny Committees to explore this further.
- Specifically in relation to i4B, the Committee queried the issue of tax inefficiencies, Ravinder Jassar, Deputy Director of Finance advised that as i4B had become more profitable, the company was required to pay more tax, consequently discussions had taken place with a tax consultant to ensure that the company was operating as tax efficiently as possible.
- Following a Committee query on i4B's buying strategy, it was confirmed that now that house prices had started to fall, buyers acting on behalf of the Council had been instructed to start purchasing again after a brief pause due to the rising interest rates and unstable market conditions that had begun to stabilise.
- The Committee questioned what was being done to increase void turnaround times for both companies, in response the Committee was advised that the revised operational changes that had been made to manage the reduction of void turnaround times were starting to come in to effect, with the full effects expected to be felt within the next 6 months; revised targets would see minor voids being turned around within 28 days and major voids being turned around in 72 days.

As there were no further questions the Chair thanked Ravinder Jassar and Peter Gadson for presenting the report and responding to the Committee queries. The Committee **RESOLVED** to:

- (1) Note the reports for both i4B Holdings Ltd and First Wave Housing Ltd.
- (2) Note the financial position for 2022/23 for both i4B Holdings Ltd and First Wave Housing Ltd. note the reports and their financial position for 2022/23.

8. **Strategic Risk Register**

Darren Armstrong, Head of Audit & Investigation, introduced the report providing the Committee with an update on the Council's Strategic Risks as of September 2023 and the new Risk Management Strategy that outlined the Council's approach to risk management to support a robust and consistent process for managing risk and opportunities.

In considering the report the Committee noted:

- The Strategic Risk Register had been prepared in consultation with risk leads, Departmental Management, Senior Leadership Teams and the Council's Management Team in accordance with the key elements of the Council's Risk Management Policy and Strategy.
- Since the report was last updated in February 2023, the Council had continued to operate in a heightened risk environment due to several external factors that included the unstable economic climate and the Cost of Living crisis.
- The Committee's attention was drawn to Appendix 1 - Strategic Risk Register that detailed the four new risks that had been added to the Strategic Risk Report, one of which reflected the growing demand from homeless households coupled with the lack of affordable accommodation that had resulted in the increased use of costly emergency temporary accommodation. The three further risks identified within the Strategic Risk Report (Risk E – Non-compliance with statutory housing duties, Risk G – Serious child protection incident or wider safeguarding concern and Risk H – Safeguarding incident – Adults) had previously been held on departmental risk registers as inherent risks. The Committee noted that Risks E – H were not new risks nor had they been escalated due to increased risk scores; they had been added to reflect a change in the Council's risk management approach as part of ongoing efforts to continue to improve and enhance the Council's risk management framework.
- The new Risk Management Strategy – Appendix 2 had been produced in response to a previous recommendation made in an external assessment and was felt to be significantly improved from the previous strategy in place with the addition of a Risk Appetite Statement and a comprehensive resource guide to risk management in Brent.

The Chair thanked Darren Armstrong for his report and invited Committee members to ask any questions they may have, with the following responses provided:

- In response to a Committee query in relation to how the risk of the overspend for temporary accommodation could be mitigated, the Committee was advised that with the overspend projected to be £13m it would be reported in the Q2 forecast report and taken to Cabinet with a report that would detail the range of actions the Council could take to relieve the pressures in the short and longer term.
- In response to a Committee query in relation to whether risks were benchmarked against other local authorities, it was confirmed that reviewing of the risk register framework was regularly compared with colleagues from other Council's to look for common themes and share best practice, additionally, Councillor M.Butt, Leader of the Council advised that Cabinet Members regularly met with their counterparts across London to share intelligence and examine data trends.
- The Committee was advised that future iterations of the Strategic Risk Register would include enhancements to the key risk indicators to include additional context to support the Committee's understanding of the specific risks.
- Following a query in relation to how the Committee would receive assurances over other key risk areas that weren't reflected in the Strategic Risk Register, including Climate Change and revenue risks, Darren

Armstrong, Head of Audit & Investigation, advised that this would be taken as a forward action to consider how these risks could be included in future updates to the Committee.

In closing the discussion on the item, the Chair advised Committee members to check that they were satisfied with the risks identified in the Risk Appetite Statement (2.3 of the report) and requested that any comments or adjustments in relation to the Risk Appetite Statement were emailed to Darren Armstrong. As there were no further questions on the item the Chair extended his thanks on behalf of the Committee to Darren Armstrong and his team for providing what the Committee felt was a highly informative and comprehensive report.

The Committee **RESOLVED** to note the report provided.

9. **Statement of Accounts & Pension Fund Accounts/Audit Findings Report**

Ahead of the updated Audit Findings Report being presented to the Committee, the Chair clarified that the final Audit Findings Report remained in progress, therefore final approval of the accounts could not be confirmed at the meeting. An additional meeting was scheduled for 12 October 2023 to enable final consideration of the accounts and recommendation for approval to the Audit & Standards Committee.

Ben Ainsworth, Head of Finance was then invited to introduce a report that provided the Committee with an update to the Statement of Accounts 2022/23 and the External Audit Findings Report.

In considering the report the Committee noted the following key points:

- Grant Thornton (External Auditors) was in the process of completing the audit of the 2022/23 accounts and their final Audit Findings Report.
- Adjustments to the accounts had been agreed by the Council and Grant Thornton and would be detailed in the final auditor's report.
- Grant Thornton had made a number of recommendations to support further improvements in the Council's processes, the recommendations identified would come into effect with a revised plan for closing the 2023/24 accounts.
- Three objections had been received in relation to bus lane enforcement, the Council was in the process of reviewing the objections and seeking legal advice; it was noted that similar objections had been received by several other London Councils.
- The Committee was advised that providing that the objections were not classified as material, they would not delay the sign off of the accounts; however, the accounts could not be fully certified until the objections had been addressed.

The Chair thanked Ben Ainsworth for introducing the item, before inviting Ciaran McLaughlin, Key Audit Partner, Grant Thornton to update the Committee on the Council's Audit Findings Report:

The following key points were highlighted:

- It was highlighted that Brent's Finance Team had collaborated well with Grant Thornton to get the audit to the current stage of nearing completion. Work had continued to progress well with only a small number of outstanding areas to complete, this included the Housing Revenues Account (HRA), General Fund re-evaluations work and IAS 19 assurance letters. Once any outstanding areas had been completed the audit would be ready for the auditor's internal review process.
- The Annual Auditors Report (Value for Money Audit) was being finalised with a draft report expected to be shared with the Council within the next week.
- Auditors were satisfied with the management responses received in relation to the risks and observations identified.
- Key judgements were in line with the auditors' expectations and would continue to be monitored on an annual basis.
- Auditors were awaiting final confirmation that the 3 objections received were not material, the Committee was advised that if the objections were found to be material it could delay the signing of the accounts.

The Chair invited the Committee to ask any clarifying questions in relation to the update, the following responses were provided:

- In response to a Committee query in relation to the higher than usual number of journals submitted as part of the audit, it was clarified that although there were a higher number of journals, appropriate information had been received in relation to all of them and the auditors were not concerned that there was an issue.
- It was clarified that the higher number of journals submitted this year had resulted from a specific piece of work relating to exploring ways to improve the reconciliation of council tax and business rates, therefore there were a higher number of transactions than usual, this was not expected to be an issue moving forward.
- Following a Committee query in relation to the sufficiency of the IT system controls, it was confirmed that there had been issues identified, however the auditors were satisfied that any previous deficiencies identified had been appropriately addressed.
- In response to a Committee query regarding the accuracy of Level 3 valuations, the Committee was advised that the accuracy of valuations were rigorously tested by reputable firms of auditors who were experts in their field, therefore the Committee could be satisfied that the valuations were as accurate as possible.

The Chair thanked Ciaran McLaughlin for the update and invited Sheena Phillips, Senior Manager, Grant Thornton to update the Committee on the Pension Fund Audit Findings Report.

The following key points were highlighted:

- The Pension Fund Audit was nearing completion pending further confirmations being received in relation to some Level 3 investments.
- Brent's Pensions Fund system transfer, which had initially been flagged as a significant risk due to the volume and sensitivity of data that required transfer, was confirmed as successful, with no issues identified.

- A previous issue in relation to a journal being incorrectly listed with a different number had also been resolved.
- It was confirmed that of the audit adjustments identified in Appendix B, there were no major adjustments.

The Chair thanked Sheena Phillips for the report and invited the Committee to ask any questions or clarifying points in relation to the report. In response to Committee questions the following responses were provided:

- Although the Pension Fund was subject to a hot review, it was not expected to delay the completion of the Pension Fund Audit.
- Following a question in relation to the interest rates used to inform the triennial valuations. It was confirmed that valuations were based on March 2022 interest rates, therefore the valuations were likely to be in a better position than reported.
- The Committee required clarity in relation to the gravity of non original letters of confirmation being provided for the Pension Fund and whether this was an issue unique to Brent. In response the Committee was advised that it was not a Brent specific issue, having been raised with several other local authorities. It had been highlighted that it was best practice to have original letters to minimise the risk of paying pensions that individuals were not entitled to.

As there were no further questions the Chair re-iterated his thanks on behalf of the Committee for the work of Brent's Finance Team and the Grant Thornton Team in progressing the accounts to their advanced stage. The Chair took the opportunity to welcome Sophia Brown from Grant Thornton, who would be taking on the role of Key Audit Partner for Brent's 23/24 audit.

As no further issues were raised the Committee **RESOLVED** to:

- (1) Note the key issues and recommendations identified in the Audit Findings Report.
- (2) Note the corrected audit differences.
- (3) Note the draft audit opinion.
- (4) Note the objections to the accounts; and that pending confirmation that the amount was immaterial, the objections would not delay the signing of the accounts; however, would delay the final certificate from the auditors.
- (5) Note that in order to allow the Audit process to be finalised, an additional meeting of the Audit & Standards Advisory Committee had been scheduled for 12 October 2023 to allow final consideration and formal approval of the accounts to be recommended to the Audit & Standards Committee.
- (6) Recommend to the Audit & Standards Committee to agree the delegation of approval of the draft letter of representation to Grant Thornton to the Corporate Director of Finance & Resources.

10. **Forward Plan and Agenda for the next meeting**

It was **RESOLVED** to note the Committee's Forward Plan

11. **Any other urgent business**

The Chair recommended that Committee members attend the Section 114 training that the Council were providing. Members were advised that if they were unable to attend, a recording of the training would be made available.

The next meeting was scheduled for Thursday 12 October 2023

The meeting closed at 7:28pm

David Ewart
Chair