

	Audit and Standards Advisory Committee 12 June 2024
	Report from the Corporate Director of Finance and Resources
	Lead Member - Deputy Leader and Cabinet Member for Finance, & Resources (Councillor Mili Patel)
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
List of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Corporate Director of Finance and Resources Tel: 020 8937 4043 Email: minesh.patel@brent.gov.uk

1. Executive Summary

- 1.1 This is the second 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 2023-24. It has been prepared independently by the Chairs' of the A&S and A&SA Committees.

2. Recommendation

- 2.1. The Committee is asked to note the contents of the report, ahead of this being presented to Full Council on 8 July 2024.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The Council's Audit and Standards Advisory Committee (ASAC) and the Audit and Standards Committee (ASC) play an important role in ensuring the good governance of the Council. The committees are a key component of the Council's governance framework. They contribute to the overall success of the Council by providing an independent and high-level focus on the adequacy of governance, risk and control arrangements to provide assurance and confidence to those charged with governance.

3.1.2 The ASAC is responsible for considering and advising the relevant council bodies on various governance matters relating to audit activity, the council's regulatory framework, and members' standards of conduct. The ASC is responsible for various governance matters including reviewing and approving the Annual Statement of Accounts, adopting the council's Annual Governance Statement and promoting high standards of conduct by members and co-opted members.

3.2 Introduction

3.2.1 The Audit and Standards Advisory Committee met seven 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 and increasing – if often well-managed – level of risk being faced by the Council, in common with most other authorities.

3.2.2 As we stated last year the importance of the work of the Committees continues to grow. The pressures on local authority finances, and details of the failures of governance and financial control at other authorities have become even clearer.

3.3 Overview

3.3.1 2023-24 continued to be 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 still in a good position with regard to financial sustainability, with a relatively good level of reserves, but for the first time in some years did not bringing in expenditure within the budget. Brent was, however, one of the very few authorities to have the external audit of its accounts signed off before the deadline.
- b. Further a number of arising issues which may lead to future problems for the Council:
 - 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 higher interest rates looking like they will remain for some time.
- c. In terms of Governance, Brent also has sound arrangements in place, as confirmed by both the External Auditor's Value for Money report for 2022-23 and Head of internal Auditor's report and opinion issued in June 2023. However, there are a number of areas requiring attention particularly:
 - i. The continuing 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 review procedures where staff reductions may have weakened existing procedures or controls;
 - iv. The need to keep under review the governance arrangements for subsidiary companies;
 - v. The continuing need to strengthen the oversight of contract management; and
 - vi. The need for the committee to continue to review and improve its own performance, and work with officers and other member bodies, particularly the Scrutiny Function, to further improve the Council's risk management and allocation of work between the different bodies.

3.4 Standards Matters

- 3.4.1 Although as we stated last year, though Standards matters are not covered by the CIPFA Statement, this is one of the Committees' key roles, and one which is taken very seriously, particularly in view of the experience of some other authorities.
- 3.4.2 During the year the Committees considered a number Standards issues including Complaints against Members (though there were none upheld in 2023-24), oversight of Gifts and Hospitality, as well as Member Training and attendance.

3.5 Audit Matters

- 3.5.1 The Audit and Standards Advisory Committee has continued to be well served by the Internal Audit and Investigation staff and have received regular updates

on the progress of the 32 risk-based audits planned being undertaken during 2023-24, with 10 audits brought forward from 2022-23 (plus 6 audit added and 8 cancelled). This is addition to work on investigation of frauds and irregular activities being undertaken by Investigation team. The Committees also considered the following:

- In June, the Head of Internal Audit's Annual Report for 2022-23 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. Second line gaps in control. Where gaps in control were identified by Internal Audit, these were generally found to be in relation to the Council's 'second line' (of defence). In brief, the 'first line' is the provision of services and the application of an internal control framework to manage associated risks; and 'second line' responsibilities include the monitoring, reporting and challenge of the effectiveness of 'first line' functions. The 'third line' is the independent and objective assurance provided by Internal Audit.
- ii. Implementation of audit recommendations/actions. A positive rate of implementation of high risk actions was noted. Whilst this is pleasing, it was found that only 69 of the 104 (66%) medium risk actions had been implemented. This suggests that further effort is required to implement all actions within agreed timescales to ensure that the risks identified during the original audit are appropriately mitigated.
- iii. Policies and procedures. Whilst relatively insignificant in terms of risk, Internal Audit again noted that policies and procedures were often absent or outdated, and as such, roles and responsibilities were not always clearly defined/outlined.

In summary, the Head of Internal Audit was satisfied that the work undertaken by Internal Audit during 2022-23, as well as wider governance arrangements, has enabled an opinion to be formed on the Council's control framework, risk management and governance arrangements as set out above.

Since drafting this section we have had sight of the Head of Internal Audit's report for 2023/24 and are pleased to note that the Head of Internal Audit has again been able to give a Reasonable Assurance rating, and that progress has been made with regard to a number of areas for improvement. This report is being presented to the Audit and Standards Advisory Committee on 12th June 2024.

- A report covering the Draft Internal Audit Strategic for 2024/27 and Plan for 2024/25, the key details of which are set out below.

The report introduced a new procedure for planning the use of internal audit resources, partly designed to implement the new Global Internal Audit Standards due to come into force from January 2025.

The proposed audits for 2024/25, includes the following, all of which are risk based and linked to the Council's risks and priorities:

- Five key financial systems audits (with proposals for all key systems to be audited in three years);
- A cyber security audit;
- Six core audits to be carried out in the first half year;
- Followed by 20 proposed audits to be prioritised on an agile risk basis.

The plan also makes provision for advisory work and follow up activities on previous recommendations.

The Annual Counter Fraud Plan for 2024/25 was delayed to the June 2024 meeting.

- The Audit and Standards Advisory Committee continued to receive updates on the work of the Council's external auditors Grant Thornton, (the audit of the 2022-23 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 Full Council meeting in February 2024.

The report was positive, with the overall finding being for all three areas (Financial Sustainability, Governance and Improving the three "e") reviewed being: "No significant weaknesses in arrangements identified, but improvement recommendation made."

However, it should be noted that the direction of travel recorded was downwards in the case of Financial Sustainability and the same as for 2021-22 for the other two. The report also contained a number of recommendations which require to be implemented.

- 2023-24 is the first year of the new contract period for external audit appointment by Public Sector Audit Appointments Limited (PSAA). Grant Thornton have remained the Council's auditors, but the audit lead has changed in 2023-24 and a separate lead has been appointed for the Pension Fund. The fee for the 2023-24 audit is about 150% higher than for 2022-23. This has been set by the PSAA

3.6 Regulatory Framework

3.6.1 The Committees continued to oversee a number of areas concerning the regulatory framework, including reviewing the use of RIPA powers by the Council.

3.6.2 The Audit and Standards Advisory Committee has continued to be 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, and considers a wider range of risks. However, concerns still remain over the risk management at departmental level, and the Chairs have continued liaising with the Chairs of the Scrutiny Committees over how to improve oversight of this area where there is overlap in roles.

3.6.3 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 governance. Although concluding that no significant governance issues have been identified, the covering report included the following areas identified for improvement:

- Implementation of the ASAC effectiveness action plan.
- Further work to embed succession planning and leadership development.
- Putting in place a new MTFs and long term planning process which will cover the whole period of an administration's Borough Plan and beyond.
- Improving the monitoring, reporting and challenge over 'first line' controls.
- Increasing the rate of implementation of 'medium risk' audit recommendations.

3.6.4 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. This is very important work, but it is again one where there is an overlap of responsibilities between the Audit and Standards Advisory Committee and the Scrutiny Committees. This has now been at least partially resolved with the Audit and Standards Advisory Committee now concentrating on the council's overview, supervision and overall governance of Companies, and the Scrutiny Committees on the performance of the Companies.

3.6.5 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 higher level of interest rates,

at least compared with the last 20 years. Although there is nothing to suggest this will be a problem in the short term, it is something the Council should keep under review.

3.7 Statement of Accounts

- 3.7.1 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 2022-23 account was 30 September 2023. However, although the accounts were ready and the audit almost complete by that date, a number of minor issues resulted in the audit not being signed off until 23 October 2023. This, however, still put the Council in a better position than most authorities, with the PSAA reporting that only 5 of the 467 audits were signed off by the due date.
- 3.7.2 Members will be aware of the serious issue of the major problems concerning local authority audit, with nearly 1,000 audits of other authorities outstanding, and a resultant number of consultations on proposals to address this. However, with the Council's audit being up to date this will not affect the Council.

3.8 Review of the effectiveness of the Committees

- 3.8.1 The Committees are well placed, with the Audit and Standards Advisory Committee independently chaired, and both Committees now having the support of two independent, Standards-focused members, both of whom bring considerable experience. The Audit and Standards Advisory Committee has also received very valuable support from a recently departed Independent Advisor. The appointment of her replacement will be a key issue.
- 3.8.2 The two Committees have again been required to consider a large number of issues over the last year. This has resulted with some agendas being packed, and some members feeling they are overloaded. Furthermore, the need for additional training for members has been identified, and is being planned.
- 3.8.3 To help overcome this and generally improve the performance of the work of the Committees, a self-assessment was undertaken in 2022-23, with improved training for members planned.

3.9 Conclusion

- 3.9.1 We should like to thank the members of the two Committees, the former Independent Advisor, and the former and current Independent Co-opted Members (Standards-focused) and Independent Persons for all their support and assistance.
- 3.9.2 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.

4.0 Stakeholder and ward member consultation and engagement

4.1 None.

5.0 Financial Considerations

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

6.0 Legal Considerations

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

7.0 Equity, Diversity & Inclusion (EDI) Considerations

7.1 None.

8.0 Climate Change and Environmental Considerations

8.1 None.

9.0 Communication Considerations

9.1 None.

Report sign off:

Minesh Patel

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