



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Wednesday 4 December
2024 at 6.00 pm

PRESENT: David Ewart (Independent Chair), Councillor Chan (Vice-Chair) and Councillors Choudry, Kabir, Long, J Patel and L Smith.

Independent co-opted Members: Rhys Jarvis and Steven Ross - attended online.

Also Present: Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance & Resources), Julie Byrom (Independent Person – attended online) & Sheena Phillips (External Audit – Grant Thornton).

1. Apologies for absence and clarification of alternate members

In opening the meeting, David Ewart (as Chair) took the opportunity to welcome Councillor Lesley Smith as a newly appointed member on the Committee.

Apologies for absence were received from Councillor Molloy, who it was reported was recovering from surgery, and Sophia Brown (Grant Thornton). The Committee asked for their best wishes to be passed on to Councillor Molloy for a quick recovery.

2. Declarations of Interest

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

3. Deputations (if any)

There were no deputations considered at the meeting.

4. Minutes of the previous meeting & Action Log

RESOLVED that the minutes of the previous meetings held on Wednesday 25 September 2024 & Thursday 31 October 2024 be approved as a correct record, subject to the following amendments:

- Minutes – 25 September 2024: review and amendment of wording of 4th bullet point under the comments and issues raised section of Min 6: Report on i4B Holdings & First Wave Housing Ltd.

Post meeting note: Following review, the proposed amendment to the wording of the minute has been agreed as follows with the underlined wording to be added and wording that has been struck through deleted:

“In considering the update on the financial performance provided in relation to regarding i4B, further details were sought on the changes identified in relation to the Income & Expenditure Statement within the report. These related to the reasons

why in terms of expenditure on the Service Level Agreements (SLA) and the provision of supplies and services being were higher than budget. In recognising these concerns raised, Andrew Hudson advised of the Board's continued focus regarding on accuracy of the budget monitoring and forecast process. Current with issues, as an example, highlighted included in relation to delays in the submission and processing of invoices from third parties and also management due to the demand led nature of the costs associated with repairs and maintenance of the stock, given the demand led nature of the service and in seeking to avoid disrepair claims with preventative measures works seen as the best way to prevent overspending in these areas.

As a follow up issue, details were also sought on the forecast void rent loss which it was noted had been calculated at £443k for the year based on Brent Housing data over the first 4 months. Highlighting reference to the availability of data from those properties managed by Mears, members were advised that whilst details were awaited, the current assumption remained that losses would equate to 4%."

Members noted the updates provided in relation to the Action Log of issues identified at previous meetings. Updates were provided in response to the following actions:

- (a) Dedicated Schools Grant – Deficit Management Plan (24 July 2024) – members were advised that further clarification was awaited on the VAT arrangements to be included in relation to SEND provision under the private school initiative.
- (b) Statement of Accounts – Interim External Audit Findings (31 October 2024) – confirmation was provided that work on submission of the relevant supporting information relating to Plant, Property & Equipment (PPE) was progressing with the Audit Findings Report and Statement of Accounts scheduled for consideration at the Committee meeting on 4 February 2025, in advance of the backstop for finalising the 2023-24 Statement of Accounts coming into effect at the end of February 2025.

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

None.

6. **Standards Report (including Q2 update on gifts & hospitality)**

Marsha Henry (Deputy Director Law) introduced a report updating the Audit and Standards Advisory Committee on gifts and hospitality registered by Members during Q2 2024-25 and Member Learning & Development activity. The following updates were highlighted for the Committee:

- The details on Gifts and Hospitality registered by members in the second quarter of 2024-25, as detailed in Appendix A of the report.
- The inclusion of a recommendation within the External Audit Annual (Value for Money) report (due to be considered as item 11 on the same agenda) relating to the enhancement of the register of members gifts and hospitality to include additional detail on the receipt of "exceptional items" such as tickets to events

being hosted at Wembley Stadium in order to enhance transparency. Members were advised that arrangements were being made for this issue to be considered by the Constitutional Working Group, prior to a further update being presented to the Committee on any action taken in response.

- In relation to member attendance at mandatory training sessions, the Committee was advised (following the update outlined within section 3.8 of the report) that all members had completed their core mandatory refresher training, including Data Protection. Members noted the measures in place to ensure members were required to complete their mandatory Data Protection training and action available should that not have been undertaken within the required timescale.

The Chair thanked Marsha Henry for her report and invited the Committee to raise any questions they might have, which are summarised below:

- Discussing invites issued for member training sessions, members highlighted a need to ensure these clearly specified when the sessions were mandatory, which it was agreed would be fed back to the Members Services team for action moving forward.
- In seeking further details on the rationale and considerations needing to be taken into account by members receiving gifts and hospitality, particularly in relation to sporting and other events being hosted at Wembley Stadium, the Committee was advised that whilst there were no specific restrictions prohibiting the receipt of these type of gifts or hospitality members would need to consider whether acceptance was appropriate and, if so, that anything received was properly registered, in accordance with the Member Code of Conduct. In highlighting that many gifts were often provided by local organisations as part of broader community engagement initiatives a review of existing guidelines would be included as part of consideration of the recommendation within the External Audit Value for Money report.

As there were no further questions, the Chair thanked officers for their responses, and the Committee **RESOLVED** to note the updates provided in relation to:

(c) Gifts and Hospitality registered by members; and

(d) Member Training

7. **Treasury Management Strategy Report 2025-26**

The Chair welcomed Sam Masters (Head of Finance) and Nadeem Akhtar (Senior Finance Analyst) to the meeting who were then invited to present the draft Treasury Management Strategy (TMS) for 2025-26 for consideration by the Committee. It was noted that the final version of the TMS, including any comments made by the Committee, would be included in the annual budget report to be presented to Cabinet and Full Council in February 2025.

In considering the report key issues were highlighted as follows:

- The strategy (attached as Appendix 1 to the report) was currently in draft format and would be finalised for inclusion in the annual budget report that would go to Cabinet and Council in February 2025. At the request of the Chair, officers advised they would ensure non councillor members of the Committee were provided with a copy of the final Treasury Management Statement included within the Council's 2025-26 Budget Report.
- The Strategy set out the framework for the Council's Treasury Management activity in 2025 - 26 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 Prudential Indicators for 2025 – 26 (which it was noted included security, liquidity, interest rate exposure, the maturity structure of borrowing and principle sums invested for periods of more than a year), alternative options and strategies along with an external and local context including the Capital Financing Requirement (CFR). This included details (within Table 1 of the Strategy) of the Council's medium-term borrowing requirements based on budgetary forecasts, which for 2025-26 had been estimated at £360 million.
- The Strategy had been produced in compliance with the CIPFA Treasury Management Code of Practice & Prudential Code for Capital Finance.

The Chair thanked Nadeem Akhtar for the outline provided and then invited the Committee to raise any questions they might have, which are summarised below:

- On the subject of interest rates, the Committee sought further details on the basis of the assessment from the Council's Treasury Adviser regarding the level of Bank interest rate and reliability of the predicted rate at 3.75%. In response, officers advised this was based on a moving average for the year. Whilst the current rate was 4.75% and the position was subject to regular fluctuation subsequent changes were anticipated moving forward based on the latest forecasts within the Bank of England Monetary Policy Report, which were subject to ongoing review and would be reflected within the final report.
- Regarding investment limits, further clarification was sought on the limits identified under the alternative investment options within the strategy. Given the financial pressures being experienced by the Council the revenue reserves available to cover investment losses were forecast at £513.3m. Members, whilst noting the 10% or £20m limit identified as a means of limiting risk to any default, queried the reference regarding lending to other organisations within the strategy. In response, Amanda Healey (Deputy Director of Investment and Infrastructure) advised that this was related to the management of credit risk, which is what the investment limit was designed to achieve in order to avoid exposing the Council to too great a risk in the case of a single default.
- Moving on to focus on the reference to Municipal Bonds Agency (MBA) within the strategy, the Committee sought information on the speed at which the Council could take advantage of newly developing finance opportunities, with the example provided of Green Bonds. In response, members were advised that MBA had been around for a number of years and referred to previously as

an alternative source of financing to the Public Works Loan Board (PWLB). The MBA issued bonds on capital markets with the proceeds then lent to local authorities but was recognised as a more complicated source of finance than the PWLB. For this reason, the Council had previously raised the majority of its long-term borrowing through the PWLB but it was pointed the strategy would enable consideration (where consider appropriate) of long-term loans from other sources and the appropriateness of issuing bonds and similar instruments, in order to access lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

In terms of the approach towards Green Bonds, these were noted as being more of a local product in nature. Whilst their use had previously been considered, it was noted the yield generated as a result was not as high as alternative sources of finance, with challenges and risks also identified in relation to the current viability of the green infrastructure projects they were designed to support given the costs associated in serving the debt. Therefore, grant funding was identified as more favourable in terms of green initiatives. Officers noted that whilst alternate financing options were subject to regular review and assessment the security and flexibility offered through the PWLB remained the preferred option.

- Highlighting the reference to affordability in relation to the borrowing strategy and concerns regarding the impact of the significant cuts to local government funding and financial pressures being experienced by the Council as a result, further details were sought on the balance needing to be achieved in terms of the costs associated with management of the Council's debt portfolio and returns being achieved as a result. In response, officers advised that the key pressure related to periods of high interest rates and high inflation which would exacerbate scheme delivery costs and the price of financing capital projects. As a result, the inclusion of schemes within the capital programme continued to be subject to detailed viability assessments in terms of their affordability and finance requirements, with the need for corporate investment mainly now reserved for schemes delivering large scale housing projects. These corporate investments were built into the Medium Term Financial Strategy (MTFS) in order to ensure that the debt and interest costs were covered, with a range of other funding sources also utilised including capital receipts, grants, section 106 agreements and Community Infrastructure Levy (CIL) and the Council continuing to work closely with its Treasury Advisors to ensure that, where required, borrowing occurred at optimal points (including a mix of long and short term options) to avoid the most significant market volatility. Upper and lower limits were also set within the Prudential Indicators relating to the maturity structure of the Council's borrowing and debt profile and refinancing requirements.

The Committee thanked officers for the clarification provided and noted that the government was becoming increasingly stringent regarding new house-building targets with details therefore sought on the Treasury Management approach towards developing the investment and level of reserves likely to be required as a result. In response, members were advised that the Treasury Management Strategy was designed to reflect the approach towards funding for schemes already included within the approved capital programme rather than those being developed to address future demand or targets. Whilst

potential future schemes were included within the capital pipeline the financing of these schemes would not be reflected within the strategy (with reference as an example to elements of the South Kilburn regeneration programme) until they had been assessed as financially viable and formally approved for inclusion as part of the capital programme, also taking account of the housing grant allowance available through the Mayor for London.

- Following reference to the Capital Programme, further details were sought on the level of planned regeneration activity over the medium term as a key driver for demand in relation to the future CFR. In response, members were advised that this primarily consisted of the Wembley Housing Zone development which was currently driving the largest element of capital demand.
- As a final issue raised, details were sought on flexibility regarding the potential use of Community Infrastructure Levy (CIL) funding to support the Council's capital investment programme based on examples of its more creative use within other local authorities. In response, members were advised that the use of CIL was currently regulated by criteria restricting its use towards infrastructure projects linked to growth in the area. In seeking to maximise the use of CIL funding, members were advised that the range of schemes being considered was subject to ongoing review to ensure the available funding was utilised as broadly as possible within the necessary legal and financial constraints.

As there were no further questions the Chair thanked Amanda Healy, Sam Master and Nadeem Akhtar for presenting the report and responding to the Committee queries and the Committee **RESOLVED** to note (on the basis of its consideration at the meeting) the draft Treasury Management Strategy 2025/26 as detailed in Appendix 1 of the report with the final version to be included in the annual Budget Report to be presented to Cabinet and Full Council in February 2025.

8. **Treasury Management Mid Year Report 2024-25**

Nadeem Akhtar (Senior Finance Analyst) introduced the Treasury Management Mid-Year Report, which provided Members with an update on Treasury activities for the first half of the 2024-25 financial year.

In considering the report key issues highlighted were as follows:

- The Council had maintained compliance with its Prudential Indicators (as set out in Appendix 4 of the report) as of Quarter two 2024-25.
- Outstanding borrowing as at 30 September 2024 was £791.9m representing a decrease of £22.4m from £814.3m at the start of the financial year with this change related to the repayment of loans.
- Cash investments as at 30 September 2024 totalled £38.6m, which had decreased by £56.7m from £95.3m over the financial year. This reduction was attributed to the repayment of maturing debt and ongoing investment in the Council's capital programme in lieu of borrowing.

- As at 30 September 2024, the Council had incurred £15.7m in interest payments related to servicing its loan portfolio as set out in Appendix 2 of the report.
- The Council had generated £3.6m in interest income on cash investments as at 30 September 2024, which in part reflected the Bank of England's Bank Rate, that was reduced from 5.25% to 5.00% in August 2024.
- The ongoing volatility in relation to the national economic context under which the Council's Treasury Management Strategy had been operating as detailed within the economic commentary within Appendix 1 of the report.

The Chair thanked Nadeem Akhtar for their report and then invited the Committee to raise any questions they might have, which are summarised below:

- Referring to the update on the Capital Financing Requirement (CFR), further details were sought on the monitoring and forecasting process in relation to delivery of the capital programme given the slippage reported during the current financial year and associated impact on the CFR and costs associated with borrowing for capital purposes. In response, Amanda Healey (Deputy Director Investment & Infrastructure) assured members that borrowing for capital purposes was not undertaken in advance of projects being included on the capital programme, with short term trends monitored in terms of the CFR forecast based on expected demand. Whilst acknowledging the slippage in delivery of the capital programme it was highlighted that 80% of the programme remained on track which provided acceptable levels of certainty in terms of the forecasting process and was subsequently built into the CFR. Performance in relation to delivery of the capital programme was also subject to regular review as part of the quarterly budget monitor reports to Cabinet.

Responding to a follow up query, officers advised that trends in relation to the CFR were also subject to regular monitoring based on analysis conducted with the Council's Treasury Management Advisors, including performance in relation to delivery of the capital programme to support the modelling process. In noting the current challenges identified in relation to delivery of schemes on the capital programme (given current viability) and associated impact on the forecast process the Committee noted the impact which development of the capital pipeline was having in assisting to manage the programme and ensure schemes were able to progress for approval and financing once assessed as viable. In recognising the issues raised, however, the Committee advised they were keen to ensure that regular monitoring in terms of delivery of the programme and the scheduling of its financing requirements continued to be undertaken to minimise the financial risk associated with maintaining the capital finance borrowing requirement.

- Following the focus on the capital programme, specific details were sought on progress with delivery of the South Kilburn regeneration programme and associated CFR. In response, officers outlined the way in which delivery of the scheme was being undertaken in phases with each element only brought forward on the capital programme once the cost and funding requirement had been assessed as viable, in order to minimise risk.

- In noting the forecasts in relation to Section 106 funding as part of the Capital Expenditure and Financing forecast position for Q2, officers confirmed they remained comfortable with the position outlined, based on the way in which s.106 needed to be utilised and would be linked to specific developments as they came forward for approval.
- Further details were sought on the reduction identified in relation to Money Market Funding, which members were advised had related to the level of funds used in cash outflows, largely to fund maturing debt, credit invoicing, and repaying debt.
- Clarification was also sought on use of the Public Works Loan Board (PWLB) Housing Revenue Account (HRA) concessionary rate as a means of supporting local authorities borrowing in relation to the HRA and for refinancing HRA loans and the relationship with the Affordable Homes funding available through the Mayor for London. In outlining the arrangements for use of the PWLB concessionary rate members were advised that whilst the Council had not sought to borrow any funding under these arrangements prior to Q2 the intention was to take advantage of the HRA rate prior to the end of the financial year to support (alongside funding secured through the Mayor for London's Affordable Housing Grant programme) the delivery of social housing across the borough, with the range of borrowing options available contributing to the viability assessments for each scheme and impact on CFR.
- In response to details sought on the funding totalling £218.4m provided by the Council to i4B Holdings Ltd and £34.3m to First Wave Housing Ltd (as detailed within section 3.12.2 of the report) which had been secured against properties held by each company, details were sought on the current valuation of each company's assets and interest rates being charged against the loans secured. In response, officers advised that valuations had been undertaken with the assets held by each subsidiary company being valued above the value of loan arrangements and interest rates matching those available to the Council. It was noted that the loans provided were intended to serve a specific purpose in terms of capital investment and not designed for cash flow management, with the investments expected to generate £6m of income for the Council in 2024-25, covering the cost of borrowing as a means of investing in housing delivery using the Council's wholly owned subsidiaries.
- As a final issue, reference was made to the graph in Appendix 3 of the report relating to internal investment average rate v credit risk with further details sought on the current risk rating. In response, Amanda Healy advised that the change in risk score reflected did not reflect any specific increase in risk profile but tracked trends in relation to the current market and the credit risk scores value weighted across the sector, with the Council having retained its high credit quality and avoiding more risk based investments.

As there were no further questions the Chair thanked officers for the update provided and the Committee **RESOLVED** to:

- (1) To note the Treasury Management financial performance up to Quarter 2 2024-25 with the Council having complied with the Prudential Indicators as set by Council in February 2024.
- (2) Approve submission of the report to Cabinet for approval in accordance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services Code of Practice.

9. **Internal Audit Interim Report - 2024-25**

Darren Armstrong (Deputy Director of Organisational Assurance and Resilience) introduced the report, outlining the work undertaken by the Internal Audit function as at the end of October 2024.

In highlighting the role of the report in providing assurance that the Council had a sound framework of governance, risk management and internal control in place supported by a summary of Internal Audit activity, updating on the performance of the function, highlighting areas where high priority recommendations had been made and commenting on the level of implementation of audit recommendations by management, the following key issues were highlighted:

- The report reflected adoption of the new method towards audit planning for 2024-25, moving away from the previous 'annual plan' approach and towards a less rigid and more flexible process which would still provide assurance over areas of inherent risk, core systems and processes regarding key foundations to Council governance and control frameworks but was now based on the following areas - Core Assurance, an Agile Risk-based Plan, Consultancy and Advice & Follow-up Activity with the current Plan having been agreed by the Committee in March 2024.
- The summary provided within section 3.3 of the report relating to delivery of the 2024-25 Internal Audit Plan including progress (as detailed within Appendix 1 of the report) in relation to the Core Assurance Plan and development of the Agile Risk-Based plan listing the potential high risk and high assurance audit areas prioritised for activity during the remainder of the year.
- The summary of risks and issues identified in relation to individual audit reviews as detailed within section 3.4 and Appendix 2 of the report. As a result of the work undertaken as part of the 2024-25 Plan a total of 43 issues had been raised with a breakdown by risk category having been detailed in section 3.4.4 of the report alongside a comparison with previous years. The initial Internal Audit Progress report provided for the Committee in September 2024 had included a summary of completed work against the agreed plan with details of any critical, high or medium risk issues raised, alongside the responses and actions agreed by management/auditees. For audits completed since then, a summary of issues identified (high and medium risk) and agreed with management had been provided within Appendix 2 of the report.
- The summary of follow-up outcomes and activity, as detailed within section 3.5 of the report, from planned audit work in relation to implementation of

agreed actions. Between 1 April and 31 October 2024, seven follow-up reviews had been completed (with 14 in progress) relating to work carried out in 2023-24 with 31 actions implemented as agreed and further details on the detailed within Appendix 3 of the report.

- Whilst Internal Audit continued to review implementation of recommendations with management, in line with usual practice, with the ability to report any instances of persistent non-implementation to the Committee, further details on the monitoring undertaken in relation to outstanding and overdue audit actions which had failed to meet their original and revised target dates were summarised in section 3.6 and 3.7 of the report. As at 31 October 2024, a total of 77 audit actions had been implemented and closed with half having been implemented within their original target dates but a third not implemented until they had been reported on the overdue list. In terms of actions not implemented within their revised target dates or where management had persistently failed to engage in the follow up process 51 actions were currently identified as overdue of which 16 had been classified as high risk with details on each of the overdue actions outlined in Appendix 4 of the report.
- The outline of the Internal Audit Quality Assurance and Improvement Programme and progress in terms of delivery to date, as set out in section 3.8 of the report.

Having thanked Darren Armstrong for presenting the report the Chair then invited comments from the Committee, which are summarised below:

- In commending the quality of the report provided, members began by highlighting concern in relation to the current level of outstanding and overdue audit actions which had been identified, especially in relation to those actions identified as high risk and sought further details on the reasons (including whether these involved any organisational culture or resource capacity issues) and action being taken in response. The trend in terms of the increase in time taken by management to respond to the follow up audit process was also highlighted as a concern, given the resource implications identified in having to seek responses or follow up in cases where responses lacked sufficient evidence to support implementation of the action having been completed. In recognising the concerns identified, David Ewart (as Chair) and Councillor Chan (as Vice-Chair) advised these had been shared with the Chief Executive and at senior management level across the Council with a commitment having been received in relation to the robust management action and ongoing monitoring required to address performance.

Outlining the process taken by Internal Audit to review implementation of recommendations with management Darren Armstrong confirmed that where actions were found to remain partially or not implemented at follow-up, revised target dates would be agreed with management with the outstanding actions monitored and reported via departmental 'action trackers' monitored through Departmental Management Teams and the ability for any instances of persistent non-implementation of recommendations to be reported to the Committee.

Whilst recognising the balance being sought in seeking to robustly hold management to account for the delivery of audit actions and approach towards delivery of a modern audit function the Committee advised that, given the concerns highlighted, they would be keen to ensure ongoing monitoring of the position (including engagement of the Brent Assurance Board) as part of future updates to the Committee on delivery of the Audit Plan. In addition, members (whilst noting this would involve an element of self-reporting) also requested that action/risk owner and manager(s) should be required to include details within the future schedule (included as Appendix 4 of the report) of High & Medium Risk overdue actions of the reasons/cause for the delay in implementation of agreed actions to enable trends to be monitored linked to the Council's strategic and departmental risk management arrangements. In cases of specific non engagement in the audit process or where the risk identified in ongoing non implementation of the action was identified as critical, it was agreed that the risk owner/manager would be formally required to attend the Committee. In noting that the non implementation of actions relating to one audit included within Appendix 4 of the report had been identified as close to critical it was agreed that should meaningful engagement not be achieved prior to the next meeting, the relevant management representatives should also be required to attend the Committee in order provide an update.

- In response to a query relating to the two high risk/high assurance need audits on which management responses were awaited (referred to in section 3.3.1 of the report) members were advised these related to the Procurement and Discretionary Housing Payment audits included within the Agile Risk-Based Plan. Confirmation was also provided that progress remained on track to complete delivery of at least 90% of the Internal Audit Plan by 31 March 2025 which it was noted would enable the Head of Internal Audit to provide an informed and evidence-based opinion as to the effectiveness of the Council's governance, risk management and control framework.
- In response to concerns raised in relation to the outcome of the Parks and Open Space invoicing process listed as a review completed as part of the Internal Audit consultancy and advice activity confirmation was provided that the issue raised had been addressed as part of the review.
- In noting the update provide in relation to school audits further assurance was sought regarding the current number of reviews in progress (2) as means of monitoring the key governance arrangements and financial management controls in place within individual schools across the borough as a whole. Highlighting that the allocation of resource available to support this area of activity remained under review, Darren Armstrong took the opportunity to outline the more targeted approach to use of available resources involving the introduction of a hybrid model to manage clusters of schools. This approach was based on the development of a School Key Financial Controls Self-Assessment to identify schools that may need further assurance and also provide schools with an understanding of the key financial controls that should be in place.
- Further details were sought on the Key Performance Indicator (KP8) relating to the percentage of audit satisfaction surveys rated as "good or better"

designed to measure performance of the internal audit service, which was noted as being off target with 67% (compared to the target of 100%) being rated on that basis. In response, members were advised that it had only been possible to assess performance on the basis of three completed satisfaction surveys which had been returned, which was recognised as a low return rate. Whilst a useful indicator the need to recognise that satisfaction levels could also reflect the outcome rather than way in which the audit process had been conducted was also noted, with a range of other measures therefore also used to assess performance and satisfaction on a more holistic basis, including requests for consultancy and advice and follow up audits from the service.

- Clarification was also sought in relation to the basis on which the findings and issues raised by Internal Audit (along with resulting recommendations and actions) were graded in terms of the associated level of risk, which members were advised involved an assessment of the impact of the findings based on the categorisation detailed within section 3.4.3 of the report, as a new approach introduced within the 2024-25 Internal Audit Plan to provide a clear outline of the risk based approach towards audit activity. The new approach had been incorporated into the Agile Risk Based Plan which members were reminded had been designed to provide greater flexibility in terms of addressing emerging risks and priorities with the Plan including a list of audit areas determined via a range of different methods including risk assessment, assurance mapping, and consultation with senior management and designed to guide internal activity outside of the core assurance work based on the level of assessed risk and assurance. As further clarification, members were advised that the risk rating related to the impact of the specific finding on operational performance of the authority assessed once the audit process had been completed with members noting the work undertaken with management to confirm the actions identified and timescale for completion. Reference was also made to the list of the potential audit areas identified as part of the rolling internal audit risk assessment included within Appendix 1 of the report as a means of ensuring priority was given to those areas with the highest assurance need.
- Specific comments were also highlighted by members in relation to the following audit activity detailed with appendices report:
 - the scope of control testing processes to be included as part of the General Ledger audit, which it was noted would be fed back as part of the ongoing audit review and on which a further update would be provided as part of the next Internal Audit Plan Progress report;
 - Outcome of the Audit on Temporary Accommodation in relation to the percentage of home visits identified as not being conducted, which members were advised represented an example of management having sought internal audit support and of the agile risk based approach now being adopted. The findings identified in relation to core controls were now subject to a follow up review on which a further update would be included part of the next Internal Audit Plan Progress report;
 - the scope of follow up audit activity in response to the IT Application NEC Revenue & Benefit audit, on which members were advised further details would need to be sought from the relevant risk owner following the meeting.

As no further issues were raised the Chair once again thanked Darren Armstrong for the report and progress update provided and as a result of their consideration the Committee **RESOLVED** to note the Internal Audit Interim report 2024-25 alongside the concerns highlighted in related to the current level of outstanding and overdue audit actions and need identified, as a result, for ongoing monitoring (also involving senior management through the Brent Assurance Board) as part of future updates to the Committee on delivery of the Audit Plan.

Members also confirmed that, if identified as necessary, risk owners would be required to attend the Committee, in cases where they had consistently failed to engage in the audit process or where the risk identified in relation to ongoing non implementation of the action was identified as critical.

10. **Interim Counter Fraud Report 2024-25**

Darren Armstrong (Deputy Director Organisational Assurance and Resilience) introduced a report which summarised the counter fraud activity that the Council had undertaken in 2024-25, up to 31 October 2024.

In considering the report the Committee noted:

- That the report was intended to support the Audit and Standards Advisory Committee in obtaining assurance that the Council had robust and sound counter-fraud arrangements in place, which included a summary of the activity undertaken by the Counter Fraud team across multiple fraud types (including internal fraud, housing tenancy fraud, external fraud and proactive work undertaken to identify and reduce fraud). The report also fulfilled the requirements of the Local Government Transparency Code 2015, which required local authorities to publish details of their counter-fraud activity.
- The report followed a format similar to previous versions, and officers noted that the team continued to deliver a robust counter-fraud plan and preventative measures across the fraud types outlined.
- The details provided in relation to internal fraud which, whilst typically having the fewest referrals, were often more complex in nature as detailed within the “Proactive” section of Appendix 1 of the report.
- The update provided in relation to Tenancy & Social Housing Fraud (as detailed within section 3.4 and Section 2 of Appendix 1 in the report) with the recovery of social housing properties by the Counter Fraud team demonstrating a notional saving of £42,000 per property and positive impact on the temporary accommodation budget as a high-priority fraud risk for the Council.
- The update provided in relation to External Fraud activity cases as detailed within Section 3 of Appendix 1 within the report. This activity included (but was not limited to) fraud cases involving Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications.

- The team continued to undertake a broad range of proactive activity including National Fraud Initiative (NFI) data matching, fraud workshops and targeted operations to support the identification, investigation and reduction in other fraud risk activity across all service areas with further details having been summarised in section 4 of Appendix 1 within the report.

The Committee was then invited to raise questions and comments on the report which have been summarised below:

- Reporting on developments in relation to Blue Badge fraud, Councillor Chain (as Vice-Chair) took the opportunity to update members on the introduction of the new digital Blue Badge initiative, which it was felt would assist in addressing ongoing concerns regarding their fraudulent. Thanks were extended to Councillors Long, Councillor Chaudry and other Committee members who had continued to highlight concerns regarding operation of the scheme with further clarification to be sought on roll out of the digital scheme and whether the virtual badges would work on a borough wide basis.
- Further details were sought on the changes in relation to the discounts available under the Right To Buy scheme and whether this had impacted on the activity being undertaken in relation to Tenancy and Social Housing Fraud. In response, Darren Armstrong confirmed that this had been subject to review given the potential enhanced fraud risk identified with work being focussed around the use of preventative measures. These included support being provided on the introduction of an enhanced screening and verification process and identification of high risk applications working with closely with the Housing Team with a further update to be included as part of the Annual Counter Fraud Report. The Chair added that any proactive action was valued, solving problems before they occur and showing effective counter-fraud results.

As no further issues were raised the Chair thanked officers for their hard work and efforts in relation to the ongoing delivery of counter fraud activity and it was **RESOLVED** to note the contents of the report and counter fraud activity undertaken from April – October 2024.

11. **London Borough of Brent Auditor's Annual Report 2023-24**

Having been welcomed by the Chair, Sheena Philips, Senior Audit Manager, Grant Thornton, was invited to introduce the draft External Audit Annual Report 2023-24.

Key issues highlighted in presenting the report were as follows:

- The report provided the auditors commentary relating to the Council's proper arrangements in relation to three areas, Governance, Financial Sustainability and Improving economy, efficiency and effectiveness.
- The Executive Summary provided in relation to the Value for Money assessment of the Council's arrangements. Whilst no significant weakness had been identified in the Council's arrangements for Governance or

Improving Economy, Efficiency and Effectiveness a significant weakness had been raised in respect of the Council's Financial Sustainability.

This had been raised as a result of the risk assessment undertaken which had identified the use of £13.5m of reserves during 2023-24 to balance the Council's revenue budget, ongoing financial pressures identified (particularly in relation to homelessness), a forecast overspend of £14.4m in 2024-25 with a further budget gap of £16m forecast for 2025-26 and £7m in each year for 2026-27 & 2027-28, with the Future Funding Risk Reserve balance being £10m at July 2024. Taken together these had been assessed as representing a significant weakness in financial stability. As such, Grant Thornton had identified the need for significant and challenging decisions to be made in order to ensure a realistic budget was set and the Council was able to avoid continued use of reserves to meet unplanned expenditure. Sheena Phillips added that Brent's situation was not an uncommon one in the current local authority sector further noting that whilst identified as a significant weakness Brent was not currently at risk of needing to issue a Section 114 notice.

- The detailed commentary in terms of the review of arrangements supporting the significant weakness identified in relation to the Council's financial sustainability which included the plans in place to address the significant financial pressures in relation to the short and medium term plans (rated red), action being taken to address the funding gaps identified and deliver achievable savings in response (rated amber), plans to support the sustainable delivery of services in accordance with strategic and statutory priorities and other key programme (rated amber and green respectively) and identify and manage risks to financial resilience (including unplanned changes in demand) (rated green).

As a result of the assessment, a key recommendation had been made in terms of the need for the Council to urgently take the difficult decisions needed to ensure that a realistic budget could be set for 2025-26 which could be delivered without the need to further draw on reserves, with an additional area for improvement also identified in relation to the Council demonstrating how revenue investment in services was designed to support delivery of the priorities within the Borough Plan. It was also noted the prior year recommendations in relation to a cumulative Equality Impact Assessment being undertaken to cover the life of the Medium Term Financial Strategy and options to address budget shortfalls arising from the planning process and identify whether savings achieved were recurrent or non-recurrent had been carried forward to be addressed as part of the 2025-26 budget setting process.

- The detailed commentary in relation to the review of the Council's Governance arrangements focussed around the process for monitoring and assessing risk in order to gain assurance over the effective operation of internal controls. Including arrangements to prevent and detect fraud (rated as green), approach towards the annual budget setting process (rated green), processes established to ensure budgetary control and provide relevant, accurate and timely management information in support of statutory financial reporting requirements (rated as green), arrangements in place to ensure decisions were taken in an informed was supported by appropriate evidence and

allowing for challenge and transparency by the Audit Committee (rated green) and monitor and maintain appropriate standards (rated as amber). As a result of the assessment, areas for improvement had been identified in terms of the need to remove outdated policies from the Council's website, prioritise the revision of the Council's Procurement Strategy in line with the Borough Plan and focus on community wealth building and social value and to enhance the Members Gifts & Hospitality register to include additional detail on "exceptional items" to ensure transparency.

- The detailed commentary in relation to the review of the Council's arrangements for improving economy, efficiency and effectiveness focussed around use of financial and performance information (rated amber); the evaluation of services provided to assess performance and identify areas for improvement (rated green); the delivery of the Council's role within significant partnerships and engagement with stakeholders to assess delivery of objectives (rated amber) the arrangements for commissioning and procuring of services (rated amber). As a result of the assessment, areas for improvement had been identified in terms of the need for the Council to consider enhancing its partnership governance arrangements, enhancing transparency by reporting procurement waivers on a quarterly basis and ensure (as part of the going development of the Council's performance management framework and implementation of the balanced scorecard approach for 2024-25) that specific Directorate KPIs were included in the Corporate Performance Report.
- The summary of all Value for Money (VFM recommendations raised in 2023-24 and progress in follow up of previous recommendations.

Prior to seeking comments on the issues highlighted within the Auditors Annual Report, David Ewart (as Chair) and Councillor Chan (as Vice Chair) advised the Committee that they had already met the Council's Scrutiny Chairs, and Council leadership to ensure the importance of the recommendation and weakness identified in relation to the Council's arrangements to ensure financial sustainability were recognised and appropriate arrangements were established to address the findings.

In seeking to assure the Committee in this respect, Minesh Patel (as Corporate Director of Finance and Resources & Section 151 Officer) advised that the weakness identified had been recognised and anticipated given the extent of financial pressures and challenges identified. Whilst focussed on 2023-24 and produced before the 2025-26 budget had been set, members were advised that actions had already been taken to address the concerns and risks identified within the draft 2025-26 budget proposal, which had included the identification of significant savings (£16m) in addition to a package of additional in-year savings during the 2024-25 financial year. It was, however, also felt important for the Committee to recognise this as the start of a challenging process moving forward with the risks and pressures expected to continue over 2026-27 and 2027-28. As a result, the management actions identified in response would be included as part of future plans and in response to the VFM report as a means of recognising the seriousness of the risks highlighted.

The Chair thanked Sheena Phillips for the report and then invited the Committee to raise any questions they might have, which are summarised below:

- In response to the key recommendation identified in relation to the importance in maintaining sustainable levels of reserves, details were sought on the way this was being addressed on a corporate basis given the financial pressures identified across the Council. In response, Minesh Patel outlined the way in which the key recommendation and improvement recommendations identified within the VFM report had been allocated corporate leads in order to ensure the necessary action and responses were delivered to manage the ongoing use of reserves and also deliver the required level of savings in order to maintain a balanced budget. Despite the considerable efforts to maintain financial control, members were advised that the operating environment and wider economic context faced by the Council remained volatile with the Council having lost at least £222m from its core budget. Whilst recognising the efforts made to innovate, identify efficiencies and generate income members were advised these measures alone would no longer be sufficient over the longer term resulting in the need identified to deliver significant savings during 2025-26 supported by a more fundamental shift in approach towards the way services were delivered with the difficult nature of these decisions having already been acknowledged and laid out in the draft 2025-26 budget.

In terms of future options, it was felt the issues highlighted also supported the need for wider reform of the Local Government Funding regime with the outcome of the Government's Fair Funding review also seen as crucial in ensuring the necessary levels of financial support for key services were provided as part of future and longer term funding settlements. Directors of Finance across London were also seeking clarity from the national government so that local policymakers could work with certainty, even if no greater financial support was offered.

Members noted the ongoing lobbying being undertaken across the sector on this issue being led through the Local Government Association (LGA) not only in relation to the wider need for reform of the funding framework but also in relation to the need for longer term settlements and funding to match current pressures being experienced in relation to demand led services such as Adult & Children's Social Care and homelessness.

- In response to a query, further clarification was provided on the difference between a key and a statutory audit recommendation with the Committee advised that the improvement recommendation in relation to the Member Gifts & Hospitality register was already due to be considered by the Constitutional Working Group and revision of the Council's Procurement Strategy having already been raised by the Vice Chair (with the support of Councillor Molloy) with the Leader and key officers for review, with the Director of Strategic Commissioning & Capacity Building also invited to attend a future meeting of the Committee to update on progress.

As no further issues were raised the Chair thanked Sheena Phillips for presenting the report and the Committee **RESOLVED** to note the draft Brent External Audit

Annual Report 2023-24 including the key recommendation made in relation to the Council's financial sustainability for reference on to Full Council in February 2025.

The Committee were advised that reference of the report to Council included a focus on the significant weakness identified in relation to the Council's financial sustainability and actions being taken in response as part of the 2025-26 budget process.

12. **Audit & Standards Advisory Committee Forward Plan and Work Programme 2024 - 25**

The Committee **RESOLVED** to note the Committee's Forward Plan and Work Programme for the remainder of the 2024-25 Municipal Year.

13. **Exclusion of the Press and Public**

There were no items of business considered at the meeting which required the exclusion of the press and public.

14. **Any other urgent business**

The Committee received and noted brief updates provided in relation to:

- (a) Recruitment and retention of Finance accountancy staff, with members noting the progress in addressing the outstanding positions to be filled.
- (b) Initial assessment of the Chancellors Autumn budget statement (including extension of DSG deficit statutory override and provision for NI additional employer contributions) with the final local government finance settlement, expected towards the middle of December 2024 and further details awaited on specific allocations. Members were advised that confirmation on the extension of the statutory override in relation to management of the Dedicated Schools Grant (DSG) deficit had also been confirmed.

The meeting closed at 8.14 pm

DAVID EWART
Independent Chair