



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Monday 20 January 2020 at 6.00 pm

PRESENT: David Ewart (Chair) Councillor A Choudry (Vice-Chair) and Councillors Donnelly-Jackson, Long, Nerva, Kansagra and S Choudhary (substituting for Councillor Hassan)

Independent (co-opted) Members: Margaret Bruce
Independent Advisor: Vineeta Manchanda

Also Present: Councillor Margaret McLennan (Deputy Leader and Lead Member for Resources, Brent Council)

1. Apologies for Absence and Clarification of Alternate Members

The following apologies for absence were received:

- Councillors Hassan (substituted by Councillor S Choudhary) and Naheerathan
- Dr Rob Cawley (Independent co-opted Member)
- Karen McArthur (Independent co-opted Member)

2. Declarations of Interest

In relation to agenda items 7, Member Learning & Development and Member Expenses, Councillors Donnelly-Jackson and Nerva declared a personal interest. Councillor Donnelly-Jackson clarified that she attended a one-to-one session instead of group training.

3. Deputations (if any)

None.

4. Minutes of the Previous Meeting

RESOLVED:

The minutes of the Audit and Standards Advisory Committee (ASAC) held on 26 September 2019 be approved as an accurate record.

5. Matters Arising (if any)

None.

6. **Quarterly Update on Standards, including Gifts and Hospitality**

Debra Norman, Director of Legal, HR, Audit and Investigations, Brent Council introduced the report.

The report updated the Audit and Standards Advisory Committee on gifts and hospitality registered by Members, the attendance record for Members in relation to mandatory training sessions and two recent cases reported in the media involving general councillor conduct.

A list of gifts and hospitality registered by Members from 26 June to 20 December 2019 was attached at Appendix A, and a summary of Member Mandatory Training Non-Attendance Record as at January 2020 was attached as Appendix B of the report, along with the covering report.

In considering the report and during the discussion, the following key points were noted:

- A former councillor was involved in a civil case as reported in the update. This matter would have been a standards issue had the person still been a councillor.
- It was a matter of common sense and moral judgement whether to accept gifts. Members were required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This included a series of gifts and hospitality from the same person or source that add up to an estimated value of at least £50 in a municipal year. Gifts and hospitality received by Members were published on the Council's website and open to inspection at Brent Civic Centre.
- In respect of mandatory training, the Chair reminded that this was essentially a matter in the purview of political groups - their leadership and Group Whips - as they had the responsibility to inform, encourage attendance, raise awareness and to hold their members to account.
- Councillor Donnelly-Jackson stated that councillors working during the week would find it difficult to attend various sessions and there was no alternative weekend option. Debra Norman informed that more online training options were being considered and would be available to make it easier for members to complete relevant training online and at their convenience.

RESOLVED that the Committee noted the contents of the report.

7. **Member Learning & Development and Member Expenses**

Thomas Cattermole, Head of Executive and Member Services, introduced the report to provide a summary of the Member Development Programme and information regarding the Members' Expenses Scheme. The report, together with its six appendices, provided information about the member learning and development sessions delivered since March 2019, and an overview of upcoming member learning and development sessions. The report also provided an outline of the Member induction programme to be delivered after the by-elections on 23 January 2020.

In considering the report and during the discussion, the following key points were noted:

- Six appendices of the report numbered 1 - List of sessions 2019/2020, 2 - Attendance at internal training events, 3 - Attendance at external training events, 4 - Induction training for the newly elected Members, 5 - LB Brent Charter Plus Action Plan and 6 - Member Expenses, 2018-2019 covered the detailed information.
- Equalities and Relations was the best non-mandatory session attended. There would be a re-run of the mandatory training sessions during the January induction period so members would have further opportunities to attend.
- The Committee agreed that the excel sheet providing the membership attendance record could be improved with better headings, more clarity and with the header repeated, when appropriate, on each page.
- The Committee agreed that there needed to be a process to record training undertaken but not provided, funded, facilitated or registered by Brent Council.
- Congratulations were conveyed on achieving the Gold Standard for Member Development. The Council was initially re-assessed for Charter Plus in December 2018. The assessors confirmed that Brent Council had achieved and continued to meet the Charter Plus standard of the London Charter for Elected Member Development. The Council was awarded Charter Plus status – now Brent had the Gold Standard for three years from 10 December 2018.

RESOLVED that the Committee noted the work being undertaken by the Member Learning and Development Steering Group in ensuring effective training and development for elected representatives of Brent that responded to the Council's corporate priorities as well as councillors' individual training needs.

8. **Review of the Use of RIPA Powers**

Debra Norman, Director of Legal, HR, Audit and Investigations, Brent Council introduced the report providing an update to the Council's policy in relation to the Regulation of Investigatory Powers Act 2000 (RIPA). Appendix A contained proposed changes to RIPA.

In accordance with paragraph 4.47 of the Covert Surveillance and Property Interference Code, Councillors had a formal scrutiny role in relation to RIPA and should regularly review the authority's use of RIPA. Accordingly, it was decided that this Committee should conduct a high-level annual review. Any significant policy changes recommended by the Committee arising from its review to be reported to Cabinet for decision.

The report explained the Council's use and conduct of surveillance techniques in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000; notified the Committee of the pending Investigatory Powers Commissioner's Inspection and requests. Members noted the changes to the policies on RIPA - Appendix A to the

report listed the key changes, which had been inserted into the RIPA policy and procedures and would be submitted to the Cabinet for approval.

The Committee noted a further paper updating the members on the RIPA inspection would be presented to the ASAC at its April 2020 meeting.

RESOLVED that the Committee noted:

1. The contents of this report and the changes to the Council's policies on:
 - 1a) Directed Surveillance and Covert Human Intelligence Sources;
 - 1b) the Acquisition and Disclosure of Communications Data.
2. The updated policies and procedures on RIPA were to be approved by Cabinet on 9 March 2020.

9. **Internal Audit Quarterly Update - Internal Audit Progress Report for September - December 2019**

Michael Bradley, Head of Audit and Investigations, introduced the report providing an update on progress against the Internal Audit Plan for the period 1 September 2019 to 31 December 2019.

The report contained the latest information about internal audit performance, audit work undertaken, schools, customer satisfaction and follow up reviews.

In considering the report and during the discussion, the following key points were noted:

Appendix A of the report covered the Completed Audits for the period September to December 2019, Appendix B of the report covered the Audit Current Status and Appendix C of the report contained the breakdown of Follow up Reviews.

The Chair highlighted that the focus was on high-risk areas and noted the progress was being made. He requested more assurance about high risks concerning i4B and IT licensing expenditure. In relation to procurement matters identified on page six of the report, the Chair asked for an update at a future meeting. With regard to high risks identified around 'Oracle payroll agent's management access controls were not robust' and 'discrepancies identified in payments bank account reconciliation', the Chair requested a direct update for members. Paul Dossett, Partner, Grant Thornton, external auditors, commented that this would be a timely discussion as cash transactions could benefit from more oversight.

As the discussion turned to Brexit planning, it was noted that a lot of excellent work had already been done. A Member stated that further work around awareness and implication for Brent due to No Deal Brexit after the cut off period would be very useful particularly around the impact on service delivery owing to the curtailment of early freedom of movement.

A member commented that the risks around Licensing of Landlords would be viewed as high risks instead of low or medium risks. Michael Bradley undertook to convey this to the service.

10. **RESOLVED** that the Committee noted the content of the report.
Counter Fraud Quarterly Update

Michael Bradley, Head of Audit and Investigations, introduced the report setting out the counter fraud activity for this year up to Quarter 3, 2019/20.

- Table A of the report on page 64 summarised the internal fraud performance.
- Table B of the report encapsulated Tenancy and Social Housing Fraud.
- Table C of the report addressed the External Fraud element.
- Paragraphs 3.16 to 3.18 covered the Proactive / Other Counter Fraud activity

The effective work around Blue Badge was appreciated by the members that involved a further three Blue Badge operations during Q2 and Q3 in Kingsbury and Wembley locations. 146 badges were checked, 15 cases identified as fraud / misuse and 22 Penalty Charge Notices issued.

The Chair thanked Michael Bradley and his team for their continued work and update reports relating to internal audit and counter fraud.

RESOLVED that the Committee noted the counter fraud work in the period of this report.

11. **Emergency Planning Resilience - Peer Review**

Daryl Jooste, Civil Contingencies Manager, Brent Council, introduced the report outlining the progress made since the 2019 report, detailing the type and number of incidents in Brent and provided some information around initiatives and programmes of work underway to enhance our resilience and response arrangements.

The Committee noted that, following several major emergencies affecting London and putting the London Resilience Partnership under considerable strain during 2017, London Councils commissioned an independent peer challenge that took place in early 2018, focusing on the extent to which Boroughs' collaborative resilience arrangements continued to provide assurance. The London Resilience Forum (LRF) and the Local Authorities' Panel (LAP) were overseeing the recommendations.

Members noted that the previous standards used were the Minimum Standards for London (MSL), comprising of sixteen (16) standards designed to support the London Local Authority Gold (LLAG) arrangements. It was recommended that the Minimum Standards for London, which were introduced in 2007 to ensure a baseline standard of resilience planning across London local authorities, be replaced. A resultant outcome of the review was the new Resilience Standards for London (RSL) were officially launched in 2019 and all 33 London Councils would be undertaking a self-assessment on an annual basis using the new Resilience Standards for London. The self-assessment was an important improvement tool for the Council and its stakeholders as an accurate and honest representation as to how the Council was currently performing.

The Committee heard that for the year 2020, selected boroughs were Brent, Ealing, Kingston, Merton, Richmond and Wandsworth. In Brent, the Peer Review would

take place over three-days on the 27-29 January 2020. Brent Council's self-assessment submission to London Resilience for 2020 and the peer review team at the LGA was attached as Appendix A to the report.

In response to a question, the Committee heard that Community Engagement was an area that progressed since the last report. A Community Resilience training package had been developed and was ready to deliver to community groups accompanied by a proposed refresh of our web pages and redesigned Community Resilience Guide. A Member stated that there was an opportunity for member development and scope for clarity about member role and involvement.

On behalf of the Committee, the Chair thanked for a very useful update.

RESOLVED that the Committee noted the contents of the report.

12. **External Audit Progress Report and Sector Update, including Certification of Grants and Returns**

Sophia Brown, Engagement Manager, Grant Thornton, external auditors, introduced the report providing an update on the progress in delivering Grant Thornton's responsibilities as the Council's external auditors. It also included a summary of emerging national issues and developments as well as certification of grants and returns.

Paul Dossett, Partner, Grant Thornton also contributed to the discussion on key issues.

In considering the report and during the discussion, the following key points were noted:

- The Committee noted that the planning for the 2019/20 audit started in October and the detailed audit plan, setting out the proposed approach to the audit of the Council's 2019/20 financial statements would be presented to the Audit and Standards Advisory Committee in March 2020. The interim audit would begin this month (January 2020) and the fieldwork would include updated review of the Council's control environment; updated understanding of financial systems; review of Internal Audit reports on core financial systems; early work on emerging accounting issues; controls testing; and early substantive testing.
- Progress as of January 2020 was summarised on page 4 of the report. Audit deliverables were listed on page 6 and the sector update was covered on page 7 of the report.
- Housing benefits was a complicated area, probably good to reflect on financial audit, needed more time, discipline and rigour like with the accounts. The Chair asked the relevant council team to be informed about it.
- The Vice Chair stressed that required assessment and additional information needed to be put in the system on time.

- Financial Reporting Council (FRC) - summary of key developments for 2019/20 annual reports was captured on page nine of the report. Grant Thornton was chosen by the FRC as a pilot.
- Paul Dossett, Head of local government at Grant Thornton, had written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

The Chair thanked the external auditors for their report.

RESOLVED that the Committee noted the content of the report.

13. **Additional Audit Fees 2019-20**

The Committee received the report about the increased audit fees to pay for additional audit work Grant Thornton have planned to address enhanced requirements placed upon them by the Financial Reporting Council (FRC), their regulator.

In considering the report, the Committee noted that:

- For the five financial years commencing 1 April 2018, the Audit Committee agreed that the Council should appoint PSAA (Public Sector Audit Appointments) to procure an external auditor for the Council to benefit from the economies of scale and to seek better accountability from PSAA managing contracts on behalf of local government by participating in a procurement across local government. PSAA appointed Grant Thornton as the Council’s external auditor for this period. The contract had saved the Council a further £50,736 compared to 2017/18 and 2018/19 audits, which was on top of the earlier reduction in fees of circa 55% compared with the fees in 2012.
- Not all the work that external auditors had to carry out was within the scope of the agreed fees. In such cases, the external auditors might choose to charge additional fees; however, these additional fees were subject to scrutiny by PSAA who had to agree the fees before they were paid. This acted to consolidate skills in managing external audit contracts across local government, and helped ensure a consistent approach to additional fees across the sector.
- The FRC had increased the standard that they require for all audits from ‘acceptable but with improvements required’ to ‘acceptable with limited improvements required’. This meant that, where the FRC reviewed the auditor’s work, the FRC would be less tolerant of mistakes in audits that would require improvement. Grant Thornton proposed fees included the cost of additional work in the audit, to ensure that it met this standard.
- To address the higher standard, Grant Thornton planned to reduce the ‘materiality level’, which would mean further work as additional items would

need auditing in more depth. This would also increase work for the council in demonstrating to the auditors that items were accurate to the required level in the Statement of Accounts. The changes in materiality levels had not been formally calculated by Grant Thornton yet, but was estimated on page 2 of the report.

RESOLVED that the Committee noted the additional fees proposed by Grant Thornton.

14. **The Complementary Roles of the ASC, ASAC and Scrutiny Committees (Review the Performance of the Committee - self-assessment)**

Debra Norman, Director of Legal, HR, Audit and Investigations, Brent Council introduced the report seeking the view of the Audit and Standards Advisory Committee (ASAC) with regard to clarifying the respective roles of scrutiny and audit related committees and improving how they work in a complementary way in the future.

The Committee was invited to consider and review the discussion paper attached at Appendix A to the report and to provide feedback/recommendations as to the areas of compatibility and better working between the respective committees. This was viewed as a complementary role.

The Committee heard that the discussion paper proposed that the ASAC and Scrutiny Committees were required to set and agree a work programme at the start of each Municipal Year, based on their respective remits. One way in which to encourage a more joined up approach between Scrutiny and Audit would be for the Chair's (and Vice-Chair of the ASAC) to meet at the start of each municipal year. This joint meeting would review the draft work programmes and identify any areas where there was potential for complementary work. This could be combined with the existing scrutiny committee work planning meetings undertaken by the scrutiny team. Having identified any potential areas of work there would then be the option for each Committee to consider how they might wish to work together in order to support the respective reviews. This complementary work could take the form of Scrutiny proposing specific areas of internal audit focus in order to receive assurance on areas where they might be a gap in that respect. ASAC might wish to receive the outputs of any Scrutiny activity in order to inform the work of the Internal Audit function if assurance gaps became evident.

A Member commented that elected councillors brought a different skillset and lines of enquiry and could not - and should not - be turned into accountants or finance professional. He added that this report should be sent to both scrutiny committees for their consideration and further understanding of the work carried out by audit. He further added that scrutiny resources was an issue and would benefit from additional support.

The Chair welcomed any additional training opportunities, particularly the proposed assessment of the specific training needs of the audit and standards committee members. The Vice Chair welcomed the report and thanked Debra Norman for her work.

RESOLVED that the Committee noted and agreed the content of the report.

15. **Forward Plan and Scheduled Reports**

Kunwar Khan, Governance Officer, introduced the Committee's Forward Plan and highlighted the following additions:

1. Accounting Policies. (likely to be in March 2020)
2. RIPA update back (likely to be in April)

RESOLVED:

Kunwar Khan (Governance Officer, Brent Council) undertook to update the Audit In addition, Standards Advisory Committee's Forward Plan.

16. **Treasury Management Strategy 2020/21**

Amanda Healy, Senior Finance Analyst, introduced the report presenting the draft Treasury Management Strategy (TMS) for 2020/21, which was attached as Appendix 1 to the report for consideration by the Committee. The final version of the TMS incorporating the views of this Committee would be included in the annual budget setting report to be presented to Cabinet on 10 February 2020.

Daniel Omisore, Deputy Director of Finance, also contributed to the discussion.

In considering the report and during the discussion, the following key points were noted:

- The Strategy sets out the framework for Treasury Management activity in 2020/21 and includes details on:
 - Borrowing Strategy and sources of debt finance
 - Investment Strategy, investment types and prescribed limits
 - Treasury Management Indicators for 2020/21
 - Alternative options/strategies
 - External context
 - Local context
- The strategy and its reporting complied with CIPFA Code of practice.
- There was a shift from 'cash rich' to 'borrowing' environment for Brent.

The Committee thanked Amanda Healy for her report.

RESOLVED that the Committee noted the content of the report and commented that the Council should proceed with the strategy.

EXCLUSION OF PRESS AND PUBLIC

The Committee **RESOLVED** that under Section 100A (4) of the Local Government Act 1972 the press and public be excluded from the meeting during consideration of Agenda item 17, **Brent Council Borrowing Strategy Update**, on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3

(information relating to the financial or business affairs of any particular person, including the authority holding that information) of Part 1 of Schedule 12A of the Act (as amended).

17. **Brent Council Borrowing Strategy Update**

Daniel Omisore, Deputy Director of Finance, introduced the report highlighting that in September 2018, the Brent Council Cabinet approved a comprehensive borrowing strategy setting out the medium to long-term borrowing requirement for the Council, whilst at the same time highlighting several options for funding. The report recommended that the Cabinet endorse the strategy and agreed that officers should (with the support of treasury and legal advisors) commence negotiations to agree a forward funding loan of up to £40m. This report provided an update on the progress made in implementing the actions noted above.

At the invitation of the Chair and Daniel Omisore, Luke Reeve, Engagement Partner, Ernst and Young, also briefed the Audit and Standards Advisory Committee. Mr Reeve in turn also introduced Caroline Ly (Engagement Director), Ralph Manners (Executive) from Ernst and Young who also attended and spoke at the meeting. Mr Reeve handed over to Mr Manners and Ms Ly and left the meeting at 8:11 pm to attend another meeting.

After careful consideration of the report and detailed deliberation, the Committee

RESOLVED to note:

1. The work performed to date (in conjunction with our advisors) in developing and implementing the borrowing strategy set out in Appendix 1 and 2.
2. The conclusion and next steps summarised in section 6 (Appendix 1) of the borrowing strategy report, along with the revised indicative transaction timetable summarised in Appendix 3.
3. The issues concerning climate change, environment, ethical investment, reputational risk be carefully considered.
4. That sufficient checks and balances should be incorporated into the timetable that would allow the council to cease negotiations should investors not be in a position to offer cost effective rates; or if there was a sudden change in market conditions.
5. That enquiries should be made to ensure there were no conflicts of interest with investors.

18. **Any other Urgent Business**

None.

The meeting closed at 20.37 pm

David Ewart
Chair