

MINUTES OF AUDIT AND STANDARDS COMMITTEE

Monday, 27 April 2020
(5:00 - 6:13 pm)

Present: Cllr Princess Bright (Chair), Cllr Adegboyega Oluwole (Deputy Chair), Cllr Toni Bankole, Cllr Simon Bremner, Cllr Josie Channer, Cllr Rocky Gill, Cllr Mohammed Khan and Cllr Faraaz Shaukat

Also Present: Stephen Warren, Cllr Dominic Twomey and Cllr Irma Freeborn

16. Declarations of Interest

There were no declarations of interest.

17. Minutes - 3 February 2020

The minutes of the meeting held on 3 February 2020 were confirmed as correct, subject to the following amendments:

- Under minute 11, the sentence 'The accounts for all subsidiaries, except Reside, were complete' should read, "The **audit of the** accounts for all subsidiaries, except Reside, were complete'; and
- Under minute 11, in the fourth bullet point, the question marks should be replaced with the word 'confirmation'.

18. Interim Audit Completion Report and Certificate of Grants and Claims

The Council's Chief Accountant introduced the Interim Audit Completion report that had been circulated as 'Supplementary 1' to the main agenda, stating that substantial progress had been made in the external audit of the Council's 2018/19 accounts, with the Council now in a position to make the adjustments required to achieve an unqualified opinion.

The Senior Manager representing the Council's external auditors, BDO, stated that:

- The audit was currently going through the Council's and BDO's quality review processes;
- Group accounts were in the process of being audited and the Interim Audit Completion report did not include any errors relating to that area;
- BDO had identified creditors, debtors and the misclassification of transactions between the Council and the various group entities as significant risks in the audit, which had resulted in more detailed work having to be carried out;
- The current net effect of uncorrected misstatements was £30.9 million on the comprehensive income and expenditure statement and £78.6 million on the balance sheet but the Council's Finance Team were working to reduce the number and value of uncorrected errors so that an unqualified opinion could be given;

- BDO had received an updated set of the 'Statement of Accounts', which it was in the process of reviewing;
- Outstanding actions included undertaking a full review of the prior period adjustments and their total impact, reviewing the group accounts and agreeing any further adjustments with the Council's Finance Team;
- A draft letter of representation from the Council, which was appended to the report, asked the Council to confirm a number of matters relating to the audit and would be further updated once BDO had concluded its detailed audit work; and
- BDO was independent of the Council and had no conflict of interest in undertaking the audit.

The Chair stated that she wished to put forward the following observations on behalf of the Committee and the Independent Advisor:

- There were concerns at the further delays in the finalisation of the audit of the Council's 2018/19 accounts since the last meeting of the Committee in February 2020 - regular updates would have kept the Committee better informed of the reasons for delay. She was aware that the Covid-19 pandemic would have impacted progress and asked officers to provide further detail for the Committee's information;
- In relation to the audit of the 2019/20 accounts, officers and BDO should work together to provide a detailed timetable to the Committee;
- Officers should prepare an action plan in response to the recommendations made by BDO in their Interim Audit Completion report;
- The Committee would like a future report on the additional fees proposed for the external audit of the Council's 2019/20 accounts, together with an explanation of the proposed fees; and
- The Finance Director should liaise with the Chair prior to the signing of the final version of the letter of representations on the Council's 2018/19 accounts, to ensure that all the matters identified had been addressed.

In response to the point regarding the delay in the progress of the audit, the Finance Director stated that the day-to-day functions of the Finance Team had been significantly impacted by Covid-19, as they were supporting the Council's overall response to the pandemic, which included capturing the expenditure relating to the pandemic and producing various reports for London Councils and the Department for Housing, Communities and Local Government, which required significant resources. Against that backdrop, the Team were working hard to complete the 2018/19 audit and move on to preparing the 2019/20 accounts.

A BDO Partner assured the Committee that BDO had revisited the timetable for the completion of the audit of the 2018/19 accounts, having received the second version of the Statement of Accounts and the group accounts, and had re-programmed the reviews required, which were due to take place in the first two weeks of May. It was anticipated that BDO would be in a position to give an opinion in the week beginning 18 May 2020.

In response to the Chair's other observations, officers stated that:

- There would be an opportunity to discuss the timetable for the audit of the Council's 2019/20 accounts under item 7 on the agenda;

- As the audit of the 2018/19 accounts had not been concluded, BDO's proposed additional fees had not been discussed in any detail; however, this information could be provided once discussions had taken place with BDO; and
- Appropriate arrangements would be made with the Chair before the final version of the letter of representation was due to be signed.

The Committee **resolved** to note the Interim Audit Completion report.

19. Accounting Policies for the 2019/20 Statement of Accounts

The Council's Chief Accountant presented a report requesting approval for the accounting policies for the 2019/20 Statement of Accounts, which was a new initiative to reflect good practice and provide the Committee an opportunity to fully understand the foundation for the annual Statement of Accounts, put forward amendments and seek clarification.

In response to a question, the Chief Accountant stated that the policies in the report focussed on the Council as a single entity. However, going forward the intention was to include the policies for the group accounts and pension fund accounts, which were separate.

The Chair asked whether officers could undertake a review of the accounting policies and their presentation prior to the preparation of the 2020/21 accounts and report back to the Committee before 31 March 2021. The Finance Director acknowledged the request and commented that it would provide an opportunity to check that the presentation of the accounts was in line with the guidance issued by CIPFA last year as well as ensure that the policies reflected that the Council had a large number of subsidiaries.

The Independent Advisor to the Committee referred to accounting trends in both the public and private sector and recommended that the Council should produce accessible policies that were specific to individual entities and for that work to start early in the financial year so that changes could be adopted well in time for the 2020/21 Accounts.

It was noted that the Independent Advisor to the Committee would put in writing to officers some minor changes that he felt were needed to the accounting policies.

The Committee **resolved** to approve the accounting policies applicable to financial year 2019/20, subject to the changes identified by the Independent Advisor.

20. Preparation of the 2019-20 Statement of Accounts & External Audit

The Council's Chief Accountant presented a report on the preparation of the 2019-20 Statement of Accounts and external audit.

In response to a question, the Chief Accountant acknowledged that there was a risk that the audit of the 2019/20 accounts would be delayed; however, the Finance Team's focus on completing the audit of the 2018/19 accounts before the end of May and the extensions to national deadlines for both the draft accounts and the audited accounts, would act as mitigation, as this would enable the Team

to undertake thorough quality assurance.

In response to a question from the Chair, the Chief Accountant stated that he would aim to provide a schedule of the Council's subsidiaries (including their activities and turnover) to the next meeting of the Committee. He asked Members to note that there was a section in the 2018/19 accounts entitled 'Related Party Disclosure Notes' which explained the Council's relationship with its subsidiaries and their relationships with each other.

The Committee **resolved** to note the report.

21. External Audit Plan 2019/20

The BDO Partner gave a verbal update and advised that BDO was currently unable to provide a written audit plan for the Council's 2019/20 accounts, primarily because it would not be possible to do a reasonably accurate risk assessment relating to the audit until the findings of the 2018/19 audit were finalised. Now that a plan to complete the 2018/19 audit had been agreed, it was hoped that it would be feasible to present an audit plan for 2019/20 at the Committee's next meeting in July 2020.

The Chair asked BDO and officers to expand on what lessons had been learnt from the 2018/ 2019 audit process to ensure that the 2019/20 process would be smoother. The BDO Partner stated that, as the Committee was already aware, the preparation of the accounts for the Council's subsidiaries was a complex task and posed a significant challenge; however, lessons had been learnt and a key point would be better planning for the audit of subsidiaries' accounts to make the process smoother and more efficient. It would also be important to ensure that the internal quality control reviews of all accounts were properly complete before the draft accounts were presented for audit and to timetable the work appropriately. Finally, there were some legacy issues which had already been alluded to (such as debtors and creditors) which would be picked up by the Council's Finance Team. The Council's Chief Accountant agreed and welcomed BDO's extremely thorough approach to the audit.

The Cabinet Member for Finance, Performance and Core Services stated that there were issues and challenges nationally with audit processes this year and asked whether any lessons could be learnt from other boroughs, referring particularly those who had had consolidated the results of subsidiaries for a number of years. The BDO Partner confirmed that some lessons relating to compliance and good practice from other boroughs had been passed on to the Finance Team which had led to revisions to the 2018/19 accounts. The Partner also assured Members that BDO continually evaluated the audit process, both internally and with the client, and liaised with colleagues across the sector.

22. Internal Audit Charter, Strategy and Plan 2020/21

The Council's Head of Internal Assurance presented a report on the Council's Internal Audit Charter, Strategy and Plan 2020/21.

The Head of Assurance stated that the Charter, which required approval by this Committee annually, defined the purpose and authority of the Internal Audit Team

and laid out its independence and objectivity within the organisation. The Strategy set out how the Team delivered its work, in line with the Charter, with a greater emphasis on operations, including resourcing, approach to preparing and delivering the audit plan and how quality assurance would be applied to ensure effectiveness. Changes had been made to the Strategy to ensure robust and independent reporting of the internal audit work. Finally, the Audit Plan detailed the audits to be undertaken in the year ahead.

The Head of Assurance confirmed that the contents of the document were subject to continual review to reflect changing risks and cited the current risks relating to the Covid-19 pandemic and the potential high levels of staff absence as an example. All managers had been issued guidance on how to maintain effective internal control arrangements and for making payments to suppliers. Furthermore, there had been reviews of grants to businesses and hardship payments and his Team would also be looking at other areas of unusual expenditure arising from the pandemic.

In response to further questions, the Head of Assurance stated that:

- A review of the Council's Risk Register in relation to the effects of a pandemic was underway and would be presented to this Committee in due course; and
- 'Contingency days' in the Audit Plan were held back for areas of unexpected risk and would be assessed on a priority basis.

The Committee and the Independent Advisor welcomed the update on the Team's response to the Covid-19 pandemic and asked the Head of Assurance to provide a further update to the next meeting.

The Committee **resolved** to:

- (i) Approve the Internal Audit Charter;
- (ii) Approve the Internal Audit Strategy 2020/21 onwards; and
- (iii) Approve the Internal Audit Plan 2020/21.

23. Information Governance Annual Report

The Chief Operating Officer presented a report which provided an insight into the work undertaken by the Council's Feedback team and covering aspects such as complaints, Members' casework, Freedom of Information (FOI) and Subject Access Requests (SAR).

The report detailed how the Council performed against targets in relation to these areas and how it identified and implemented service improvements. The Chief Operating Officer also advised on a number of relevant issues relating to the Covid-19 pandemic, including the allocation of some members of the Feedback team to support other Council services, such as the Registrar's Service.

In response to questions, the Chief Operating Officer advised that:

- Over the last year, the additional resources that had been put into Members' casework had significantly improved the number of cases being dealt with within the 10 working day target period. Further steps were also being taken to improve performance around how the Council dealt with corporate complaints and it was noted that the 'My Place' service had put in a new structure, which had led to early improvements which were being shared across the Council;
- The Council had relayed to its residents the positive action it was taking via the 'BD CAN' initiative to support residents through the Covid-19 pandemic;
- In terms of obtaining general feedback from residents, there had been far greater usage of digital technology since the lockdown to control Covid-19, and that would likely continue even after the restrictions were lifted;
- Relevant Cabinet Members were informed when complaints relating to their portfolio were lodged, to help avoid duplication;
- Even though only a small number of SARs were received, they were resource intensive due to the volumes of paperwork involved and the need to redact certain information.

The Committee **resolved** to note the report.

24. Standards: Complaints Update

The Head of Law presented a report updating the Committee on complaints received against Members of the Council.

In response to a question, the Head of Law stated that the usual practice was to update the Committee when a complaint reached the next milestone in the complaints process.

The Committee **resolved** to note the report.