



## Audit Advisory Committee

**Monday 26 June 2017 at 6.30 pm**

Boardrooms 7&8 - Brent Civic Centre, Engineers Way,  
Wembley HA9 0FJ

### Membership:

#### Members

Mr Ewart (Chair)  
Mr Sullivan

#### Councillors:

A Choudry (Vice-Chair)  
Davidson  
Dixon  
Naheerathan  
Nerva

#### Substitute Members

##### Councillors:

Hoda-Benn, Long, McLeish and Pavey

##### Councillors:

Kansagra and Maurice

**For further information contact:** Nikolay Manov, Governance Officer

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**The press and public are welcome to attend this meeting.**

# Agenda

Introductions, if appropriate.

Item	Page
<b>1 Apologies for absence and clarification of alternate members</b>	
<b>2 Declarations of personal and prejudicial interests</b> Members are invited to declare at this stage of the meeting, any relevant personal and prejudicial interests and disclosable pecuniary interests in any matter to be considered at this meeting.	
<b>3 Deputations (If Any)</b>	
<b>4 Minutes of the previous meeting</b> To review and approve the minutes from the last meeting of the former Audit Committee held on 20 March 2017.	1 - 10
<b>5 Matters arising</b>	
<b>6 Remit and Operation of the Audit Advisory Committee</b> This report explains the remit and operation of the new Audit Advisory Committee.	11 - 14
<b>7 External Audit Progress Report</b> The report summarises the auditing activities undertaken by KPMG in the period March 2017 to June 2017 and provides an overview of actions to be completed by the next meeting of the Audit Committee.	15 - 18
<b>8 Draft Annual Governance Statement 2016-17</b> The report sets out the draft Annual Governance Statement for 2016/17 as required by the Accounts and Audit Regulations 2015 and in accordance with the Cipfa/Solace Delivering Good governance in Local Government Framework 2016.	19 - 36

**Ward Affected:**  
All Wards

**Contact Officer:** Debra Norman, Chief  
Legal Officer  
Tel: 020 8937 1578  
Email: [Debra.Norman@brent.gov.uk](mailto:Debra.Norman@brent.gov.uk)

**Ward Affected:**  
All Wards

**Contact Officer:** Conrad Hall, Chief Finance  
Officer  
Tel: 020 8937 6528

**9 Internal Audit and Counter Fraud Progress Report 37 - 46**

The report provides an update on the progress against the internal audit plan for the period since the last meeting of the Audit Committee in March 2017 and updates on the counter fraud work completed in quarter four of 2016/17. The appendix to the report also summarises those reports from the 2016/17 plan which have been finalised since the last meeting of the Audit Committee.

Ward Affected:  
All Wards

Contact Officer: Conrad Hall, Chief Finance  
Officer  
Tel: 020 8937 6528  
Email: [Conrad.Hall@brent.gov.uk](mailto:Conrad.Hall@brent.gov.uk)

**10 Internal Audit Annual Report - 2016/17 47 - 56**

The report is the annual report from the Head of Audit and Investigations. The report includes an opinion on the overall adequacy and effectiveness of the Council's internal controls and presents a summary of the audit work undertaken during the year.

Ward Affected:  
All Wards

Contact Officer: Conrad Hall, Chief Finance  
Officer  
Tel: 020 8937 6528  
Email: [Conrad.Hall@brent.gov.uk](mailto:Conrad.Hall@brent.gov.uk)

**11 2016-2017 Treasury Management Outturn Report 57 - 70**

The report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2016/17.

Ward Affected:  
All Wards

Contact Officer: Conrad Hall, Chief Finance  
Officer  
Tel: 020 8937 6528  
Email: [Conrad.Hall@brent.gov.uk](mailto:Conrad.Hall@brent.gov.uk)

**12 Draft Risk Management Strategy 2017-2019 and Strategic Risk Register 71 - 88**

The report provides an update on the review of Risk Management and sets out the draft Risk Management Strategy for 2017-2019 an implementation plan to embed the new strategy and the updated Strategic Risk Register.

Ward Affected:  
All Wards

Contact Officer: Conrad Hall, Chief Finance  
Officer  
Tel: 020 8937 6528

Email: [Conrad.Hall@brent.gov.uk](mailto:Conrad.Hall@brent.gov.uk)

**13 Statement of Accounts**

To follow as a supplement.

**14 Housing Benefit Subsidy Audit Update**

To follow as a supplement.

**15 Audit Advisory Committee Forward Plan**

89 - 92

**16 Any other urgent business**

**17 Date of next meeting: Wednesday 20 September 2017**



Please remember to ***SWITCH OFF*** your mobile phone during the meeting.

- The meeting room is accessible by lift and seats will be provided for members of the public.



## LONDON BOROUGH OF BRENT

### MINUTES OF THE AUDIT COMMITTEE Monday 20 March 2017 at 7.00 pm

**PRESENT:** Mr David Ewart (Chair), Mr Eugene Sullivan (Independent Member) and Councillors Davidson, Hoda-Benn, Khan, Long and Nerva

**ALSO PRESENT:** Councillor McLennan

The Chair announced that Andrew Sayers (Partner at KPMG) had replaced Phillip Jonhstone (Director at KPMG) as engagement lead for the Council.

The Chair welcomed Councillors Hoda-Benn and Long to the Committee.

1. **Apologies for absence and clarification of alternate members**

Apologies for absence were received from Councillors A Choundry (with Councillor Long substituting) and Naheerathan (with Councillor Hoda-Benn substituting).

2. **Declarations of personal and prejudicial interests**

The Chair declared that he was a former Finance Director at the London Borough of Ealing until 2013.

3. **Deputations**

There were no deputations received.

4. **Minutes of the previous meeting**

**RESOLVED** that the minutes of the previous meeting, held on 11 January 2017, be approved as an accurate record of the meeting and signed by the Chair.

*Councillor Long entered the meeting at 7:02 pm.*

5. **Matters arising**

**(i) Internal Audit Report – Torah Temimah Primary School**

Conrad Hall (the Council's Chief Finance Officer) informed the Committee that a significant majority of the recommendations had been addressed or were to be completed. One action had not been completed yet as it had been related to teaching qualifications. Mr Hall said that the school was still seeking to pursue the issue, but had not been possible to obtain qualifications in the time between the previous meeting of the Committee in January and the middle of March 2017.

**(ii) *Planning Applications Audit Report***

The Chair asked for a progress update on actions that had been due to be completed by 31 January 2017 and the response whether audit control on Acolaid had been switched on or off when the Council bought the software be sent to Mr Sullivan (Independent Member).

**(iii) *Risk Management Arrangements and Strategic Risk Update***

It was noted that the Risk Management Review would be discussed under Item 12 to the Agenda.

**(iv) *Review of Shared Services***

Conrad Hall (the Council's Chief Finance Officer) informed the Committee that it was intended to complete the transfer of staff back to Brent Council and to confirm formalities with PriceWaterhouseCoopers(PwC) by 1 April. He highlighted that he had consulted Legal and Human Resources and that both actions were on track so there was a possibility to complete them on time, without reasons for concern. An offer to appoint to the post of Head of Audit and Investigation had been made and it had been accepted verbally, with references still pending.

**(v) *Local Government Ombudsman's Investigation into a Complaint Against London Borough of Brent***

The Chair informed the Committee that the issue would be discussed under Item Number 6 to the Agenda.

**6. *The Role of the Audit Committee in Local Government Ombudsman (LGO) Reports***

Irene Bremang (the Council's Head of Performance and Improvement) introduced the report which set out the role of the Committee in the rare event of the Local Government Ombudsman (LGO) issuing a report against the Council, two of which had been issued against the Council in the past five years. Ms Bremang explained that if a report was issued against the Council, it would be considered by Full Council (or a committee with delegated authority) if it concerned non-executive functions, or considered by the Cabinet if it concerned an executive function. She highlighted that the Committee role would be to help the Council, along with Council officers, to use the learning from the report to improve Council services and customer experience.

The Chair said that, as only two reports had been issued in the last five years, this had showed that complaints had been resolved at earlier stages. In response to a Member's question about the two reports that had been received, Ms Bremang explained that one had been related to Housing and a domestic violence referral and said that she would find more information about the second one and inform Members accordingly.

**RESOLVED** that the contents of the report be noted.

## 7. **External Audit Progress Report**

Andrew Sayers (Partner at KPMG) presented the report which summarised the audit activities undertaken by KPMG in the period January 2017 to March 2017. He drew the Committee's attention to key work undertaken by KPMG which could be found on page 18 to the Agenda Pack. Mr Sayers highlighted that KPMG had reviewed the Council's response to the six objections to the 2015-16 accounts and was requesting additional information or clarification on some of the documents that had been supplied. He stated that he had met with Carolyn Downs (the Council's Chief Executive), Althea Loderick (the Council's Strategic Director for Resources) and Conrad Hall (the Council's Chief Finance Officer) as part of KPMG's planning processes and an audit plan for 2016-17 had been issued.

Members of the Committee asked questions which related to the six objections to the accounts that had been received and the additional cost for work by KPMG on these. The Committee heard that all objectors had been notified that their objections had been accepted and that the additional charge was to be confirmed at the next meeting of the Committee. It was noted that once objections had been accepted, these would need to be investigated in-depth. Ms Downs said that Mr Hall and her had met all five objectors and had had long constructive discussions with them.

In relation to the objection about Lender Option Borrower Option loans, Mr Sayers clarified that a number of authorities had received similar objections and that although a similar approach to decision making had been taken, decisions reached had not been the same.

**RESOLVED** that the contents of the External Audit Progress Report be noted.

## 8. **External Audit Plan 2016-17**

Andrew Sayers (Partner at KPMG) presented the External Audit Plan 2016-17. He drew the Committee's attention to key points, presented in the Plan, such as materiality (which had been set at £12 million for the Council and £6 million for the Pension Fund), management override of controls, pension valuation (data had been much more extensive than in previous years), plants and equipment (valuation adjustments were to be made), fraud and revenue recognition (related to spending Section 106 funds). He also noted that there was a new format of the Comprehensive Income and Expenditure Account and Movement in Reserves Statement with a new Expenditure and Funding Analysis statement which would require prior years' comparatives to be restated. He added that despite the fact that value for money was not an area of significant risk, KPMG would focus on financial resilience and if any other areas had to be examined, the Committee would be informed. Mr Sayers confirmed that KPMG remained independent and encouraged Committee Members to bring to KPMG's attention any issues, which may be related to fraud and ones which the Committee may have concerns about.

Members asked questions that related to rotation of external auditors and the current best practice for re-tendering for external auditors. Mr Sayers explained that there were two elements – individual rotation of the person in the company who was responsible and general rotation which meant that after an external auditor had been in place for five years, an approval was required to allow the company to work

with the Local Authority for another two years. Conrad Hall (the Council's Chief Finance Officer) added that the Council had signed up for the sector-led process (through procurement by Public Sector Audit Appointments (PSAA)) and the particular reason for this had been to create a buffer between the Council and the auditor as appointment of the auditor would not be made directly. It was clarified that KPMG had started its fifth year as an external auditor of Brent Council.

Members enquired how the benefit of value for money fitted into the wider context. In response, Mr Sayers said that there had been three aspects of value for money – informed decisions, financial resilience and working in partnership. He informed the Committee that KPMG would look at projects and examine how these had been conducted and may comment on what had been completed, what had not been achieved and what KPMG had observed in other organisations. Questions that related to the significance of the Brent Housing Partnership (BHP) were raised in the context of BHP's potential transfer back to the Council. Carolyn Downs (the Council's Chief Executive) explained that a decision about the potential transfer might have been taken by the time of the next meeting of the Audit Committee. She highlighted that the Council should have taken a stronger position and pushed for more internal audits of BHP. She emphasised that in the event of potential transfer of BHP back in-house, business as usual would not continue as senior staff would be changed, as most are temporary appointments, and a specific scrutiny panel (with residents co-opted on the panel) would be set up to oversee the transition. However, Ms Downs reminded the Committee that the Audit Plan discussed related to the 2016-2017 financial year so the potential transfer of BHP would not have an effect on the Plan.

The Chair thanked KPMG for its work on the External Audit Plan.

**RESOLVED** that the contents of the External Audit Plan 2016-2017 be noted and approved.

## 9. **Annual Report on Grant Claims and Returns 2015-16**

Steve Lucas (Senior Manager at KPMG) introduced the report which summarised the results of work KPMG had carried out on the Council's 2015-2016 grant claims and returns. He highlighted that KPMG had carried out work on three grant claims and returns and the results had showed that one had been qualified with amendments (the Housing Benefit Subsidy), one had been unqualified but required amendment (The Teachers' Pension Return), and one had been unqualified with no amendments required (the Pooling of Housing Capital Receipts Return). Focusing on the Housing Benefit Subsidy, Mr Lucas explained that errors had been identified in two main areas. The first one was claims with self-employed income where 42% of claims had been subject to some form error. He noted that despite the fact that only 30% of claims had an error that had impacted the level of entitlement, the rate of error was still unacceptable. The second area was claims with earned income where basic hours had not been counted correctly due to incorrect typing of information (the rate of error had been 22.5% as the Council had checked 40 cases for earned income and had found nine errors).

Members enquired whether a similar situation had appeared in other boroughs and asked whether it would be possible to work with other local authorities to address the issue. Mr Lucas said that 60% to 70% of local authorities had received single



qualification letters, but the scale at Brent had been higher compared to other places, with a spike in claims related to self-employed income. He explained that the most common reasons for mistakes had been wrong figures being entered, and expenses not being backed up by evidence. Andrew Sayers (Partner at KPMG) added that as other authorities might have had errors in other areas, it would not be easy to collaborate with them.

Members of the Committee asked questions that related to the potential future risk of errors leading to residents being underpaid. In response, Mr Lucas said that there had been cases where people had been overpaid, underpaid or unaffected. He explained that there was not materiality in this case as there was either a mistake or not. He emphasised that there was a threshold, set by the Government, under which errors were accepted as it had been assumed that mistakes could happen. Conrad Hall (the Council's Chief Finance Officer) added that if error rate exceeded the threshold, financial penalties were applied to the authority as it had not performed well.

The Chair and the Committee Members agreed that officers from the Council's Housing Benefit Service be asked to attend the next or a future meeting of the Committee in order that Members could learn more and ask questions about the process.

**RESOLVED that**

- (i) The contents of the Annual Report on Grant Claims and Returns 2015-16 be noted; and
- (ii) Officers from Housing Benefit be invited to attend a future meeting of the Committee.

**10. Draft Internal Audit Strategy, Plan and Internal Audit Charter 2017/18**

Vanessa Bateman (the Council's Interim Head of Audit and Investigation) introduced the Draft Audit Strategy, which highlighted that the audit-related environment was constantly changing in response to the challenges faced by the Council. She emphasised that the Strategy set the key drivers in terms of flexibility of the service to ensure it could deliver effectively and better support the Council to achieve its objectives. It also outlined responsiveness to maximise outcomes through innovative resource use including technology, and linking with other sources of assurance. Ms Bateman explained that in developing the Strategy, she had considered the messages from management she had received and acknowledged the decision to return to in-house service and all the factors that had led to that decision.

Ms Bateman also introduced the Audit Plan for 2017-2018 and informed the Committee that the Plan had been developed using an assurance mapping process that had engaged senior management. Ms Bateman said that the Plan had acknowledged the need for the in-house service to be configured to deliver it and accounted for budgetary limitations. The Committee was informed that focused planning meetings had been undertaken for much of the Plan but these would commence once the Plan had been formally agreed, with the first audits being provisionally scheduled for April 2017.

In relation to Corporate Reviews, Ms Bateman explained that the Team would look at the corporate controls over risk areas but also consider the application in a sample of services as there had been a number of service level audits where the Council Management Team (CMT) had expressed an interest and engagement would be ensured by regular attendance at CMT with a forward look at the Plan. In terms of Schools' audit, Ms Bateman acknowledged that this was an area where the Committee had expressed concern so additional resources had been allocated and areas that required improvement had been identified. The Committee heard that Brent Housing Partnership (BHP) audits had been agreed by the BHP Audit Committee and provisions had been made in the Plan to accommodate the potential transfer of BHP back in-house.

Ms Bateman presented the Internal Audit Charter and highlighted that it helped the organisation understand the role of the audit service. She also noted that the Charter was a key governance document for Public Sector Internal Audit Standards.

Members of the Committee asked questions that related to audit in schools and blue badge fraud. In response, Ms Bateman explained that in relation to former, it was possible to learn from current practice and apply knowledge in other schools. She said that blue badge fraud was part of the pro-active fraud work and that the Internal Audit Team would be looking at how Parking approached it and whether it fully utilised the resource of the Team. The Committee heard that the blue badge process had been audited and work had been done in internal investigation, the report from which was being finalised. Conrad Hall (The Council's Chief Finance Officer) added that it was possible to audit the effectiveness of the contract for parking wardens.

A Member of the Committee enquired whether the debt collection process could be looked at as residents from their ward had complained about debt collectors being rude and aggressive when they had been approached by residents wishing to settle their debt. Mr Hall advised Members to forward him specific cases so they could be examined if they fell in the remit of audit rather than scrutiny.

Mr Sullivan (Independent Member) acknowledged that the resources available to the Team were constrained and recommended that items on the Plan had to be prioritised. Ms Bateman clarified that work would start on items proposed to be examined during the first quarter of the financial year and further prioritisation could be implemented at a later stage if necessary.

In relation to the new rules that related to the employment of agency workers (whether they were self-employed or employed), Mr Sullivan advised the Committee that Her Majesty's Revenue and Customs (HMRC) had designed a tool to assess their status and Ms Bateman said that there was a risk to the Council if it was not able to recruit for some roles as a result of these regulations.

**RESOLVED that:**

- (i) The contents of 2017-2018 Audit Strategy be approved;

- (ii) The approach taken to formulate the draft Plan for the 2017-2018 financial year be noted;
- (iii) The Draft Plan for the 2017-2018 financial year be approved; and
- (iv) The Council's Internal Audit Charter be approved.

## 11. **Internal Audit & Counter Fraud Progress Report**

Vanessa Bateman (the Council's Interim Head of Audit and Investigation) introduced the report which provided an update on the progress of the Internal Audit Plan and counter fraud work undertaken during the period 1 December 2016 to 28 February 2017.

She informed the Committee that 54 out of the 63 audits were in progress, with 35 internal audit projects completed to draft or final stage. She drew the Committee's attention to page 78 to the Agenda Pack which showed that out of the 23 audits where assurance was provided, 12 had received "reasonable" and 11 "limited" assurance. Ms Bateman explained that this reflected the focus of audit resources on areas of concern and indicated that the Service had to be more proactive in ensuring that managers were equipped with all the skills they needed and that the Council configured itself to better manage risk. She informed the Committee that the Internal Audit Team was monitoring progress on a weekly basis and aimed to complete field work by the end of March. Ms Bateman acknowledged that several audits were risks to delivery but it was expected that these would be finalised in April so they could be included in the annual report which was to be presented to the Committee in June. In terms of Priority 1 and Priority 2 recommendations, only 13 out of 115 had not been implemented and six had been partly implemented (page 80 to the Agenda Pack), with the non-implemented ones being closely monitored. Housing Fraud had been lower than the profile target, but the Team anticipated to hit the annual target of 51 cases. Furthermore, the Team continued to work proactively with management to ensure fraud prevention within processes remained a priority.

Mr Sullivan recommended that tables six, seven and eight (on pages 81, 83 and 85 to the Agenda Pack) be reconsidered as they were too difficult to understand.

**RESOLVED** that the progress made in delivering the 2016/17 Internal Audit Plan, and the associated counter fraud work, be noted.

## 12. **Risk Management Review**

Vanessa Bateman (the Council's Interim Head of Audit and Investigation) presented the report and informed the Committee that Risk Management had been an area of focus, with the Council's management requesting a new approach to be adopted. A review carried out by Ms Bateman sought to provide assurance to the Council's Management Team (CMT); inform the update of the Council's Risk Management Strategy; and form the basis for assurances contained within the 2016-2017 Head of Internal Audit Opinion.

The Committee heard that the outcome of the review had been to:

- confirm the views of CMT that there was good risk management being undertaken within Brent but the processes to effectively capture, share and maximise the opportunities from the activity required strengthening;
- indicate that there had been interrelated risks being managed in different parts of the Council without effective links;
- recognise that there was opportunity in linking the performance data of the Council with risk, in terms of indicators that the risk had been materialising or in determining that assurances had been positive around the control environment; and
- recognise that some risks currently included on the Strategic Risk Register could have sat at Directorate level until management information had escalated them for CMT's attention.

In response to Mr Sullivan's (Independent Member) comment that it would take a lot of work to complete the Risk Management Review, Ms Bateman said that there was an implementation plan, the first version of which would come to the next meeting of the Committee.

A Member of the Committee asked how the seven risks discussed in paragraph 3.4 of the Report (page 102 to the Agenda Pack) would reach the Council and elected Members, including Members of the Cabinet and the Council's scrutiny committees. Ms Bateman clarified that it would be possible to have broader discussion around the seven risks once the Risk Strategy was presented to the Committee for approval.

**RESOLVED** that the contents of the Risk Management Review report be noted.

### 13. **Draft Counter Fraud Strategy and Plan 2017/18**

Vanessa Bateman (the Council's Interim Head of Audit and Investigation) presented the report and highlighted that the Counter Fraud Strategy and Plan were in constant need of revaluation as they supported the Council to manage risk (paragraph 3.2 of the report on pages 105 and 106 to the Agenda Pack). The Committee heard that the Counter Fraud Work Plan for the 2017-2018 financial year (attached to the report) was not very different from the Plan for the previous year. The main focus remained the same, although the new Head of Audit and Investigation could bring new ideas to the Council.

The Chair invited Members to comment on issues that had to be examined but had not been included in the Plan as well as on the application of lessons learned to major risks that the Council faced. A Member of the Committee said that council tax fraud committed by private sector landlords could be investigated as it could appear to be a larger issue than Housing Benefit fraud. Mr Sullivan (Independent Member) commented that modern technology could be used to raise awareness of fraud as sometimes people could see something but may not want to call to report it. In response, Ms Bateman said that the Team had been working to share their expertise and get messages out to the community. It was also acknowledged that it would be a good idea to include fraud as part of Member induction in 2018.

**RESOLVED that** the contents of the Draft Counter Fraud Strategy and Plan 2017-18 be noted.

**14. Improving the Working of the Committee**

The Chair introduced a report which set out a series of recommendations to the Constitutional Working Group that he believed would improve the working of the Committee. The Chair noted that the issue of an annual report to Full Council to present key messages and concerns from the Audit Committee which had already been discussed at previous meetings. Carolyn Downs (the Council's Chief Executive) supported the idea and this was echoed by Members of the Committee as the current arrangements did not provide an opportunity for other Members to reflect and comment on the work of the Committee.

The Chair spoke of the need for and the training being offered to Members. He said that there could be induction for Members and Conrad Hall (the Council's Chief Finance Officer) supported this statement by saying that there were areas, such as Treasury Management, where training was required. However, it was noted that training was not mandatory at present.

**RESOLVED that:**

- (i) The contents of Improving the Working of the Committee report be approved; and
- (ii) The Council's Constitutional Working Group be recommended that:
  - The Audit Committee present to the Full Council an annual report on the major issues identified and the level of assurance provided;
  - A programme of additional training be offered to Members of the Committee; and
  - Consideration be given to trying to maintain a common membership of the Committee, subject to the outcomes of elections.

**15. Audit Committee Forward Plan**

Vanessa Bateman (the Council's Interim Head of Audit and Investigation) introduced the Forward Plan and highlighted that one of the drivers to have a forward plan was to monitor what was due to come to the Committee's attention. She explained that knowing that an issue was due to be discussed helped managing agendas and distributing the work of the Committee throughout the year. Conrad Hall (the Council's Chief Finance Officer) said that the Forward Plan was work in progress and it would be revised to accommodate any comments from Members.

Following a Member's question about the format, Members unanimously agreed that the Plan was easy to read and understand.

**RESOLVED that** the Audit Committee Forward Plan be noted.

16. **Any other urgent business**


None.

17. **Date of next meeting**

The date of the next meeting of the Audit Committee would be confirmed at the Annual Council Meeting on 17 May 2017.

The meeting closed at 8.41 pm

D EWART  
Chair

 <b>Brent</b>	<b>Audit Advisory Committee</b> 26 June 2017  <b>Report from the Chief Legal Officer</b>
For Information	Wards affected: ALL
<b>Remit and Operation of the Audit Advisory Committee</b>	

## 1.0 Summary

- 1.1 This report explains the remit and operation of the new Audit Advisory Committee

## 2.0 Recommendations

- 2.1 To note the contents of this report.

## 3.0 Detail

- 3.1 At its annual meeting on 17 May 2017 the Council established this new Audit Advisory Committee to undertake in future almost all of the functions previously undertaken by the Audit Committee.
- 3.2 The functions of the old Audit Committee were almost entirely advisory nature, reflecting the primary purpose of an Audit Committee which, according to the CIPFA's most recent guidance "Audit Committees: Practical Guidance for Local Authorities and Police 2013" is to

"provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes"

rather than to make substantive decisions about financial matters.

- 3.2 In order to be able to make the few substantive decision on behalf of the council which were included in its terms of reference, the committee had to be

constituted under s102(1) of the Local Government 1972. This meant that the two independent members of the committee were unable to vote on matters considered by the committee. The Audit Advisory Committee is established under s102(4) of the Local Government Act 1972 and so this voting restriction does not apply. This means that the independent members have equal status with other members of the new Audit Advisory Committee.

3.3 The new Audit Advisory Committee is not able to make decisions on behalf of the council (such as formal approval of the accounts) so the Audit Committee remains in existence for the purposes of taking the very few decisions which are required within its old terms of reference. The terms of reference of the two Committees are contained in Appendix 1.

3.4 The Audit Committee consists of the councillor members of the Audit Advisory Committee. It is anticipated that, when required, it will meet on the rising of the Audit Advisory Committee to take any formal decisions that may be required. By meeting immediately after the Audit Advisory Committee the Audit Committee will be able to take into account any discussion that has taken place there.

#### **4.0 Legal Implications**

4.1 Under s13 of the Local Government and Housing Act 1989, a person who is a member of a committee established under s102(1) of the Local Government Act 1972, but is not a member of the authority (i.e. an independent or co-opted member) must be treated as a non-voting member of that committee. This restriction does not apply to an advisory committee established under s102(4) of the Local Government Act 1972.

#### **5.0 Diversity Implications**

5.1 None

#### **Background Papers**

None

#### **Contact Officers**

Debra Norman  
Chief Legal Officer  
[Debra.norman@brent.gov.uk](mailto:Debra.norman@brent.gov.uk)



## **Appendix 1**

### **AUDIT ADVISORY COMMITTEE**

#### **Membership**

- The committee comprises 5 non-executive councillors and 2 non voting co-opted members, one of whom will be the Chair of the committee.

#### **Terms of Reference**

To consider the following matters and to make recommendations concerning them to the relevant Council bodies or to officers

#### *Audit Activity*

1. The Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed), and the strategic and annual audit plans, and consider the level of assurance these can give over the council's corporate governance arrangements.
2. Summaries of specific internal audit reports as appropriate.
3. The annual review of the effectiveness of internal audit.
4. Reports from internal audit on agreed audit recommendations not implemented within a reasonable timescale.
5. Specific reports as agreed with the external auditor.
6. The scope and depth of external audit work and to ensure it gives value for money.

#### *Regulatory Framework*

7. The Council's constitution in respect of Contract Standing Orders and financial regulations.
8. Any issue referred to it by the chief executive or a director, or any council body.
9. Effective development and operation of risk management and corporate governance in the Council.
10. Council policies to facilitate confidential reporting by employees of suspected fraud, corruption or any other wrongdoing and the Council's anti-fraud and anti-corruption policies.
11. The production of the Council's Statement on Corporate Governance and Internal Control.

12. The Council's arrangements for corporate governance and actions to ensure compliance with best practice.
13. The Council's compliance with its own and other published standards and controls.
14. The handling of any reports from the Local Government Ombudsman.

#### *Accounts*

15. The external auditor's report to those charged with governance on issues arising from the audit of the accounts.
16. The statement of accounts and any issues from the financial statements or from the audit that need to be brought to the attention of the Council.

### **AUDIT COMMITTEE**

#### **Membership**

- The committee comprises The 5 non-executive councillor members of the Audit Advisory Committee.

#### **Terms of Reference**

- 1 To review and approve the annual statement of accounts and consider whether there are any issues from the financial statements or from the audit that need to be brought to the attention of the Council.
- 2 To adopt the Council's Annual Governance Statement.



# External audit progress report

London Borough of Brent  
External audit 2016-17

26 June 2017

# External Audit Progress Report

Since the last meeting of the Audit Committee in March 2017 we have...

- Completed our interim visit including updating our knowledge of the overall control environment, determining the key controls we are planning on placing reliance on and confirming they were operating as designed;
- Discussed the approach adopted by the Council on the valuation of nomination rights associated with the PFI scheme;
- Commenced work on the Pension Fund annual accounts on 12 June 2017 and are expecting to start work on the main financial statements on 19 June 2017 – we are expecting to have substantially completed this work by the end of July;
- Continued to review the documentation supplied on the objections. In respect of the objections made relating to the payment to the former Human Resources Director and associated matters, we are expecting to be able to share our provisional view and material documents we have relied upon with the Council, and the electors who raised the objections, in July 2017. We have requested additional information from the Council on the LOBO objection which the Council is currently investigating. Some of this information relates to decisions on loans that were entered into in 2002, which given the elapsed time, may not be complete although the Council is having a detailed look through its archives to find all relevant documents that it still has that is relevant,

Ahead of the next meeting of the Audit Committee we will...

- Complete our audit of the financial statements and prepare our ISA 260 report which we will present to the Audit Committee;
- Issue our provisional view to the Council and the electors in relation to the objections made on the payment to the former Human Resources Director and associated matters;
- Review the further documentation provided in respect of the LOBO objection; and
- Commence work on your Housing Benefit Subsidy Return.

We ask the Audit Committee to:

- **NOTE** this progress report

Contacts	<b>Andrew Sayers</b> <i>Partner</i> 020 7694 8981 Andrew.sayers@kpmg.co.uk	<b>Steve Lucas</b> <i>Senior Manager</i> 020 7311 2184 Stephen.lucas@kpmg.co.uk

# External Audit Progress Report

The main outputs from the audit are summarised below.

Deliverable	Purpose	Timing
<b>Planning</b>		
Fee letter	Communicate indicative fee for the audit year	April 2016
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2017
<b>Substantive procedures</b>		
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2017
<b>Completion</b>		
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Providing an opinion on your Pension Fund Annual Report Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2017
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2017 (to be confirmed)
Audit certificate	Providing a certificate to close the audit	Following resolution of the objections
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2017
<b>Certification of claims and returns</b>		
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2017




The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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 <b>Brent</b>	<p><b>Audit Advisory Committee</b> 26 June 2017</p> <p><b>Report from the Chief Finance Officer</b></p>
For Information	Wards Affected: ALL
<b>Draft Annual Governance Statement 2016/17</b>	

## 1. Summary

- 1.1. This report sets out the draft Annual Governance Statement for 2016/17 as required by the Accounts and Audit Regulations 2015 and in accordance with the Cipfa/Solace Delivering Good governance in Local Government Framework 2016.

## 2. Recommendations

- 2.1 The Audit Committee consider whether any changes are required to the draft Annual Governance Statement as set out in appendix 1 and approve the Annual Governance Statement for submission to the Chief Executive and Leader for signature.

## 3. Detail

- 3.1 The council is required to prepare an Annual Governance Statement and have it approved by the relevant Committee. The statement must be signed prior to the signing of the accounts. The statement must be signed by the Chief Executive and Leader of the Council.
- 3.2 CIPFA produced a refreshed framework document in 2016 setting out how local authorities could comply with the requirements to conduct a review and produce the Annual Governance Statement.
- 3.3 The guidance determines that the Annual Governance Statement should “provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of governance structures involved....It should be high level, strategic and written in an open and readable style.”

- 3.4 The seven core governance principles, applicable from 2016/17, are as follows:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - B. Ensuring openness and comprehensive stakeholder engagement
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - F. Managing risks and performance through robust internal control and strong public financial management
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- 3.5 Management Assurance Statements have been signed by Heads of Service and Operational and Strategic Directors have reviewed the assurances from their areas prior to signing their own statement.
- 3.6 The review of effectiveness has been discussed by the members of the Corporate Governance Group, who throughout the year have oversight of Governance related issues within the organisation and the draft Annual Governance Statement as well as potential issues have been discussed by the council's Corporate Management Team.
- 3.7 The following factors should be considered in determining significant issues:  
The issue has seriously prejudiced or prevented the achievement of a principal objective:
- The need to seek additional funding or divert funding to resolve the issue.
  - The issue has had a material impact on the accounts.
  - The issue has attracted significant public interest or has damaged the reputation of the organisation.
  - The issue has resulted in formal action being taken by a Statutory Officer.
- 3.8 The final part of the statement sets out the significant governance issues relating to 2016/17 and ones from prior years with a status update. There are no significant governance issues and no prior issues remain open.

#### **4. Financial Implications**

- 4.1 None.

#### **5. Legal Implications**

- 5.1. The Accounts and Audit Regulations 2015 require the council to prepare and annual governance statement and have this reviewed by a committee.

#### **6. Diversity Implications**



6.1. None.

**7. Background Papers**

1. Accounts and Audit Regulations 2015
2. CIPFA, SOLACE (2016), Delivering Good Governance in Local Government Framework.
3. 2015/16 Approved Annual Governance Statement.

**8. Contact Officer Details**

Michael Bradley, Head of Audit & Investigations, 7<sup>th</sup> Floor, Brent Civic Centre.  
Telephone – 0208 937 6526

CONRAD HALL  
Chief Finance Officer

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# Brent Council Annual Governance Statement 2016/17

## **1. Scope of Responsibility**

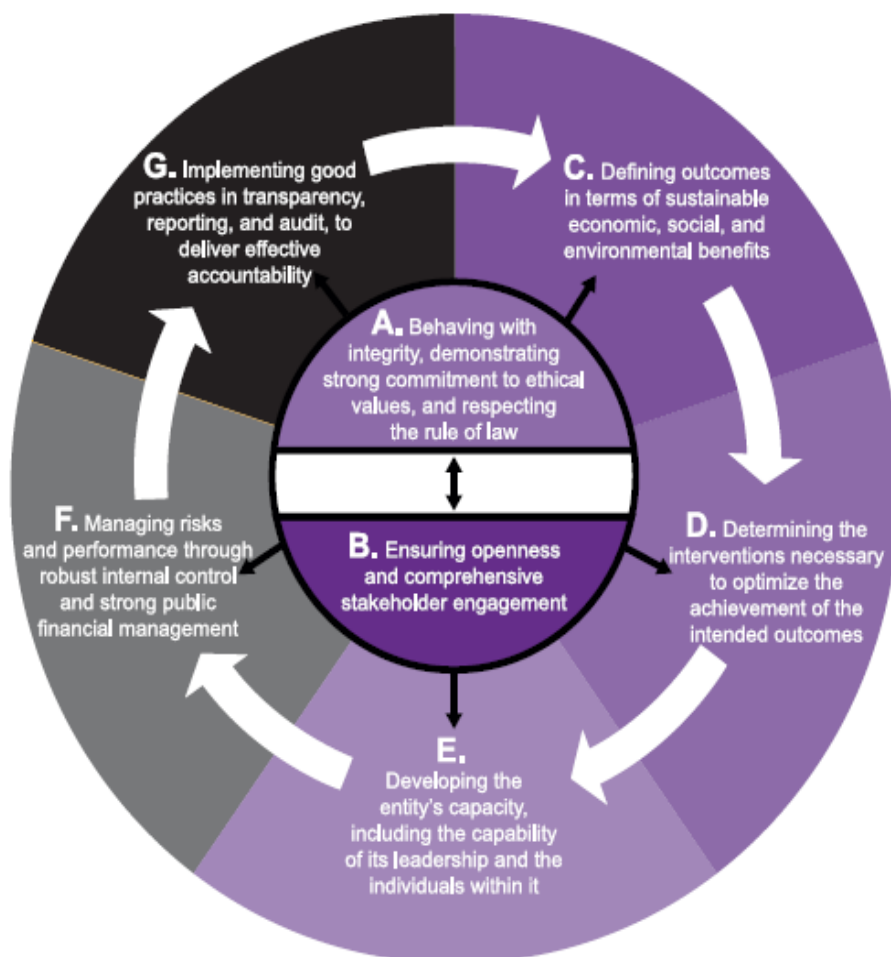
- 1.1 Brent Council ('The Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. A copy of the Council's code is contained in part 7 of the council's Constitution and can be found on our website at:  
  
<http://democracy.brent.gov.uk/ieListDocuments.aspx?CId=584&MId=3852&Ver=4&Info=1>
- 1.4 This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1b), which requires all relevant bodies to prepare an annual governance statement. To ensure all statutory requirements have been met the statement has been produced in accordance with the CIPFA Delivering Good Governance Framework 2016.

## **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.2 The governance framework has been in place for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

### 3. The Governance Framework

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are based on the seven core principles of the CIPFA/SOLACE Governance Framework.



- 3.2 The arrangements for reviewing the effectiveness of the governance framework are detailed in section 4 of this statement.

#### 3.3 **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 3.3.1 The Constitution sets out how the council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution comprises eight parts which sets out the basic rules for governing the council's business, as well as detailed procedures and codes of practice.

- 3.3.2 The Constitution is regularly reviewed and was last updated in May 2017. The Constitution sets out the responsibilities of both members and officers. In particular the council has identified the following six statutory posts:

<b>Legislation</b>	<b>Statutory Post</b>	<b>Officer</b>
S4 Local Government and Housing Act 1989	Head of Paid Service	Chief Executive
Section 151 Local Government Act 1972	Section 151	Chief Finance Officer
S5 Local Government and Housing Act 1989	Monitoring Officer	Chief Legal Officer
S18 Children Act 2004	Director of Children's Services	Strategic Director Children and Young People
S6 Local Authority Social Services Act 1972	Director of Adult Social Services	Strategic Director Community and Wellbeing
Health and Director of Public Health Social Care Act 2012	Health and Director of Public Health Social Care	Director of Public Health

- 3.3.3 A Scheme of Delegation sets out the powers delegated to officers as part of the Constitution. The Financial Regulations are also part of the Constitution, together with the Code of Corporate Governance and the Contract Standing Orders. The Constitution is reviewed regularly, with all changes approved by the Council and published on the external website.
- 3.3.4 The Member Code of Conduct is set out in the Constitution, together with other codes. These have been reviewed and the updated codes of Conduct have been agreed by the Standards Committee. The council has a Standards Committee to deal with member conduct issues and this Committee is politically balanced and consists of five members and an independent co-opted member. An Independent Person has been appointed to be involved with complaints against members and the Council is seeking one or more additional appointments to this role. The Committee has an annual work programme and is supported by the Chief Legal Officer. There is a register of member interests and gifts and hospitality.
- 3.3.5 All councilors receive training on the requirements of the Code of Conduct and related issues. Monitoring Officer Advice Notes give advice to members on decision making and standards of conduct.
- 3.3.6 All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. Strategic Directors, Operational Directors and Heads of Service are responsible for monitoring implementation of the council's policies.

- 3.3.7 The Council has a number of key governance related policies. Officers are made aware of their responsibilities through general communications, such as Weekly Round Up, manager briefings, staff events and via the induction process.

### **3.4 Ensuring openness and comprehensive stakeholder engagement**

- 3.4.1 The Chief Executive's Department is responsible for supporting statutory local partnership arrangements (Health and Wellbeing Board, Safer Brent Partnership, Safeguarding Adults and Children Boards and Children's Trust) and some non-statutory partnerships such as Partners for Brent. The Strategic Partnerships Team co-ordinates a broad range of collaborative activities, which stem from the Council's engagement with local public, private and voluntary sector organisations.
- 3.4.2 Partners for Brent is an advisory body which facilitates wider involvement and engagement in the delivery of public services. The Partners for Brent Strategic Forum is made up of eight organisations including the Met Police, NHS partners and CVS.
- 3.4.3 At a service area level, the objectives of partnerships are documented in the Service Plans and within contract documentation. They are then reflected in staff's individual objectives.
- 3.4.4 Commitments to deliver against our responsibilities in relation to equality and diversity feature strongly in the Council's Borough Plan. Regard to equality, diversity and human rights duties is embedded in the budget setting and business planning process, and templates for each require that officers and members take into consideration in an appropriate manner the equality, diversity and human rights impacts of proposed decisions. The Council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management.

### **3.5 Defining outcomes in terms of sustainable economic, social and environmental benefits**

- 3.5.1 The Council has a Borough Plan for the period of 2015 to December 2019 agreed by the Cabinet, the Local Strategic Partnership and Full Council. This document includes the corporate objectives of the Council and our shared partnerships priorities with other public agencies. Key performance indicators which relate to the targets in the plan are monitored on a quarterly basis and reported to CMT and the Cabinet. The Borough Plan references other key relevant documents, including the following:
- Housing Strategy
  - Health and Wellbeing Strategy
  - Property & Assets Strategy;
  - Employment, Skills & Enterprise Strategy;
  - Safer Brent Strategy
- 3.5.2 The priorities of the Borough Plan are regularly set out in The Brent Magazine, its website, press releases and targeted campaigns. Service priorities are extensively

consulted on with users and other relevant stakeholders. Departmental Service Plans are discussed annually with Lead Members prior to finalisation.

### **3.6 Determining the interventions necessary to optimise the achievement of the intended outcomes**

- 3.6.1 The Borough Plan sets out the council's vision for the area, underpinned by a Corporate Plan which identifies the key tasks from which team plans and individual objectives are set.
- 3.6.2 In 2016, the Council developed a vision for Brent in 2020. The vision sets out how the Council will build on the successes achieved to-date while developing a much sharper focus on services designed around the individual and creating better outcomes for those residents with complex circumstances. It highlighted a smaller number of priorities which will influence how we prioritise our resources. These priorities are aligned to both the demographic and economic needs profile of the borough and the findings from the community engagement activities which underpin the priorities in our Borough Plan. A programme of activity is in place to support delivery of this vision with reports on progress provided regularly to CMT and elected councilors.
- 3.6.3 The Cabinet consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Corporate Management Team review corporate risks through regular monitoring reports. Risks are identified within Service Plans and considered on a regular basis within departmental management teams and key operational risks are reported through to the Corporate Management Team.

### **3.7 Developing the entity's capacity, including the capability of its leadership and the individuals within it**

- 3.7.1 A full member learning and development programme is in place and there is a comprehensive induction programme for all councilors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councilors is compulsory. The council has adopted specific codes of conduct for councilors involved in planning or licensing decision-making and these councilors receive additional training in these areas as a pre-condition of their participation. A bespoke annual learning and development programme is provided for Councilors appointed as Members or Substitutes on the Scrutiny, Planning and Alcohol and Entertainment Licensing committees.
- 3.7.2 There is a corporate induction programme in place for staff, which is largely e-learning based, and one for new managers, supplemented by various internal training courses. Within the New Manager Essential Programme the key objectives are for delegates to understand the roles and responsibilities (core standards and expectations) of the Brent Manager and the Management competencies. Key information and policies are highlighted to new staff and managers and held on the intranet.

### **3.8 Managing risks and performance through robust internal control and strong public financial management**

- 3.8.1 Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet model of decision making. Although some decisions are reserved for Full Council, most are made by the Cabinet or by committees, sub-committees or officers. There are currently no decision making powers delegated to individual Members.
- 3.8.2 All forthcoming Key decisions by Cabinet are published in the Council's Forward plan and published every month on the Council's website.
- 3.8.3 Reports and minutes of meetings are also published on the council's website and are available through the Libraries. This includes urgent decisions, which are reported to the next formal meeting of Cabinet.
- 3.8.4 The council has an Audit Committee which meets at least four times during the year, with clear terms of reference and an annual work programme for internal audit and risk management. The committee has an independent chair and an independent member to help ensure it is effective in performing its duties.
- 3.8.5 In order to enhance the effectiveness of the Committee, it is to be re-constituted as an advisory committee for most of its activities. This will enable the independent Members to be equal voting members of the committee.
- 3.8.6 The Council maintains an Internal Audit service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit has direct access to the Chief Executive, the Section 151 Officer and the Chair of the Audit Committee and now the Chair of the Audit Advisory Committee.
- 3.8.7 Robust business continuity management arrangements exist within the council, with all critical services having business continuity plans in place.
- 3.8.8 The Council has a three year Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the council's budget. The financial management framework includes regular budget monitoring reports to departmental management teams, Corporate Management Team and Cabinet.

### **3.9 Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- 3.9.1 The statutory Forward Plan is published monthly on the internet, and details all key decisions proposed to be made by the council during the relevant period. Any key decision which is not on the Forward Plan may not be taken within that period, unless the report author is able to demonstrate to the Monitoring Officer and relevant members that urgency procedure requirements are met and, where required under Standing Orders, appropriate agreement of the Chief Executive or the relevant Chair of Scrutiny is obtained. All urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to Full Council.



- 3.9.2 Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Cabinet receives a briefing (Leader's Briefing) three weeks prior to the Cabinet meeting when members can ask detailed technical questions of officers. All reports must be reviewed and signed-off by or on behalf of the Chief Finance Officer and the Chief Legal Officer and contain clear financial and legal advice to help members arrive at decisions.
- 3.9.3 In accordance with the Local Government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Cabinet. These mechanisms involve the Scrutiny process including call-in. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.
- 3.9.4 All members and chief officers are required to complete an annual statement relating to third party transactions and a register of members' interests, which is updated by members, is maintained and published on the Council's website.
- 3.9.5 The Brent Council Code of Conduct for Members, revised in 2015, defines the standards of conduct expected of elected representatives, based on the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- 3.9.6 In addition, the following codes, protocols and systems are well established within the council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government.

These include:

- A declaration of interest process for members and senior officers as described above;
- Rules and protocols are in place and are being further developed for all partnership working;
- Organisation-wide performance appraisal and employee development schemes are in operation;
- There is a corporate complaints procedure in place in line with Ombudsman good practice requirements;
- Whistle-blowing, anti-fraud and anti-corruption / bribery policies are in place and publicised in compliance with the national transparency agenda; senior officers' remuneration is published on the council website.

#### **4. Review of Effectiveness**

- 4.1 The Governance Framework is subject to on-going review as part of the everyday business of the organisation. The reduction in resources within the public sector has increased the attention on ensuring that governance frameworks remain efficient and effective. The Council also has responsibility for conducting, at least annually, a formal review of the effectiveness of its governance framework including the system of internal control.
- 4.2 The review of effectiveness is informed by the work of the Directors and senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of the Head of Internal Audit & Investigation's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.3 The Council's review of the effectiveness of its system of internal control is informed by:
- Annual Assurance Opinion of the Head of Internal Audit
  - Performance against targets
  - Annual Assurance Statement
  - LGA Peer Review
  - A review of the previous year's Annual Governance Statement
- 4.4 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is described below:

##### **4.4.1 Performance Management**

The Council has a Performance Management Framework, overseen by the Corporate Performance Team (CPT), within the Chief Executive's Department. The CPT works with Departmental Management Teams to strategically align all the Council's performance monitoring and reporting and coordinate the production of three main reports:

- The Quarterly Performance Report for Cabinet
- Portfolio Performance Packs
- CMT Monthly Dashboard

Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on performance each quarter. Cabinet portfolio holders have weekly meetings with Executive Directors and review finance and performance indicators each month.

##### **4.4.2 Management**

The Corporate Management team meets fortnightly to oversee the operations of the organisation and receives reports for both challenge and comment prior to formal decision making processes, reports will also be presented, to provide the required assurances regarding the strategic risks the organisation faces. These include periodic reports from the groups and Boards established in the identified

high risk areas such as Health and Safety; IT Governance; Business Continuity; Corporate Risk and Contracts and Procurement. As noted above the role and contribution that these groups make is reviewed on an on-going basis however in 2016 a more formal review was undertaken to ensure the terms of reference were clear and remained current for all groups.

As part of the process to produce this statement all Senior Managers have been asked to complete a self-assurance statement in respect of 2016/17, that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities; and
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.

One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of the Annual Assurance Statement by senior officers. The Statement noted that for the year ended 31 March 2017, senior officers were aware of their responsibilities and had complied with the council's policies and procedures.

#### **4.4.3 The Cabinet**

The Cabinet makes key decisions in accordance with the Budget and Policy Framework. They conduct joint planning sessions with the Corporate Management Team to consider the council's policy priorities and its linkages with the medium term financial strategy. The Cabinet meets regularly with the Corporate Management Team to develop policy and to receive operational and financial performance information.

#### **4.4.4 The Standards Committee**

The Standards Committee receives reports from the Council's Monitoring Officer on issues concerning member conduct and would consider reports referred from the Monitoring Officer which require investigation and/or determination. The role and effectiveness of the Standards Committee has recently been enhanced by the addition of new co-opted members.

#### **4.4.5 Scrutiny Committees**

In 2016, Full Council approved a new structure for scrutiny at Brent Council. This was to replace the Scrutiny Committee with the Community and Wellbeing Scrutiny Committee and the Resources and Public Realm Scrutiny Committee. The new dual committee system came into effect on 18 May 2016. Each of the committees has discrete responsibilities for scrutinising the council's executive and covers different parts of the local authority's services. Policy is reviewed by reports discussed at committee as well as task groups set up to review a particular issue. In addition, a Budget panel, which is chaired by the chair of Resources and Public Realm Scrutiny Committee, was set up. In addition, there is scrutiny of Cabinet

members and decision-making at individual committee meetings of the two committees. The two committees have a statutory role in scrutinising policy and decision-making of external organisations and agencies.

In April 2017 the decision was taken to bring Brent's ALMO, Brent Housing Partnership, back in house. As part of this decision Council agreed to establish a Housing Scrutiny Committee.

#### **4.4.6 The Audit Advisory Committee**

The Audit Committee met five times during 2016/17 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual letter. The Committee monitors the effective development and operation of risk management. It reviews the annual statement of accounts specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from audits that need to be brought to the attention of the Council. The Audit Committee also considers the Treasury Management Strategy and the Annual Investment Strategy and reviews treasury management activity during the year

In order to enhance the effectiveness of the committee, it is to be re-constituted as an advisory committee for most of its activities. This will enable the Independent Members to be equal voting members of the committee. Those matters which come before the committee will require a formal exercise of council functions (e.g. approval of accounts) will continue to be made by the Audit Committee, which will consist of the councilor membership of the Audit Advisory Committee.

#### **4.4.7 Corporate Governance Group**

Set up 2016, this is an informal, but significant, meeting of the Council's three corporate Statutory Officers together with the Head of Audit and Investigations and the Strategic Director of Resources. It reviews key governance issues, the results of recent sensitive investigations and similar material in order to update policy and practice as appropriate.

In 2016/17 it was identified, through the work of this group, that there is a need to ensure that there is consistent awareness, at all levels of Management, regarding expectations and requirements to declare conflicts of interest. This is in part due to the changing environment in which officer's work and ensuring the risks are managed. It should be noted proactive audit work focused on high risk roles in the establishment, was completed in 2016/17 and identified no concerns arose from this work. To ensure controls are robust in the future some actions have been agreed between Human Resources and the Audit & Investigations Team that will be implemented early in 2017/18. These include:

- Reminders to officers of the requirements of the Council Policy and of ensuring that declarations are kept up to date.
- Refresh of Council Policy with more focus on the spirit of the policy to enhance awareness and understanding of requirements.
- Monitoring of compliance in year to gather assurance.
- Internal Audit assurances.

#### 4.4.8 Internal Audit

The council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Audit and Investigations to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Audit & Investigations has provided an annual report which will be presented to the Audit Committee on the 26th June 2017. This report outlined the key findings of the audit work undertaken during 2016-17, including areas of significant weakness in the internal control environment.

An assurance mechanism is used to reflect the effectiveness of the council's internal control environment. The table below details the four levels of assurance provided:

Level	Definition
Substantial	There is a sound system of internal control designed to achieve the objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are weaknesses, which put some of the objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the objectives at risk. The level of non-compliance puts the objectives at risk.
None	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

It is the opinion of the Head of Audit and Investigations that, taking into account all available evidence, there is Reasonable Assurance over the adequacy and effectiveness of the council's overall internal control environment during the financial year 2016-17.

An area of focus identified in 2016/17 is Schools Finance and Governance there have as a result been changes to the approach to schools audit proposed and agreed, by Corporate Management Team and Members, for 2017/18. There will also be additional time dedicated to engagement with colleagues across the Council, who also work closely with schools, to enhance the information used for risk assessing and targeting audit resources.

The Audit and Investigation Service, as part of the shared service arrangements lead by the London Borough of Ealing, was subject to review in 2016 and a decision taken to bring the service back in house. This took effect as of 01 April 2017 and a new Head of Audit and Investigations has been appointed. Work to ensure the service fully meets the needs of the Council and adheres to the Public Sector Internal Audit Standards commenced in 2016 and will continue into 2017/18.

#### **4.4.9 External Audit**

KPMG LLP is currently the Council's appointed external auditor. As well as an examination of the Council's financial statements, the work of the council's external auditor includes an assessment of the degree to which the council delivers value for money in its use of resources.

#### **4.4.10 Risk Management**

The Council managed its risks during 2016-17 in accordance with the approved Risk Management Policy. The Corporate Management Team formally considers risks, with quarterly reports also being presented to the Audit Committee. A review has been undertaken during 2016/17 and the outcomes reported and discussed at both CMT and Audit Committee. During 2017/18 there will be a plan to further embed risk management into the business processes and decision making of the organisation.

#### **4.4.11 Developing Capacity**

The Council has operated procedures during the period covered by this statement to ensure the training needs of staff are assessed against core competencies and any key training needs are met. Additionally the Council has provided and makes available ongoing training opportunities to councilors to enable them to effectively fulfil their duties.

#### **4.4.12 Engagement**

Regular consultation is also undertaken with residents to ensure that the authority makes decisions based on resident requirements and feedback regarding general provision and quality of service.

## **5. Significant Governance Issues**

- 5.1 Set out below are the prior year significant governance issues, for which actions plans were in place during 2016/17. As part of the on-going effort to strengthen governance arrangements all actions within the plans have been completed and this has been confirmed through the 2016/17 formal review of effectiveness undertaken as part of the process to produce the Annual Governance Statement.

<b>Year</b>	<b>Issue</b>	<b>Status</b>
2014/15	Contractor Management	Closed
2015/16	Financial Service Centre – Internal Control Failure	Closed
2015/16	Statutory Compliance - Health & Safety	Closed
2015/16	Brent Housing Partnership – Integrated Asset Management Partnership	Closed
2015/16	Relationship between Officers and Members	Closed

- 5.2 No significant governance issues have been identified during 2016/17.
- 5.3 We propose to continue the focus on the principles of governance and ensuring they remain embedded within the governance framework. All the areas for development identified as part of the 2016/17 review of effectiveness will be monitored and closed during 2017/18. This will be confirmed as part of the 2017/18 review of effectiveness and reported within the Annual Governance Statement.

## 6. Conclusion and Evaluation

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the London Borough of Brent to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address any weaknesses and ensure continuous improvement in the system of internal control.

Signed:

.....

**Muhammed Butt**

**Carolyn Downs**


Leader of the Council

Chief Executive

Date:

.....



 <b>Brent</b>	<b>Audit Advisory Committee</b> <b>26 June 2017</b>  <b>Report from the Chief</b> <b>Finance Officer</b>
For Information	Wards Affected: ALL
<b>Internal Audit and Counter Fraud Progress Report</b>	

## **1. Summary**

- 1.1.** This report provides an update on the progress against the internal audit plan for the period since the last meeting of the Audit Committee in March 2017 and updates on the counter fraud work completed in quarter four of 2016/17. The appendix to the report also summarises those reports from the 2016/17 plan which have been finalised since the last meeting of the Audit Committee.

## **2. Recommendations**

- 2.1** That the Audit Committee notes the progress made in delivering the 2016/17 Internal Audit Plan and the counter fraud work outcomes.

## **3. Detail**

### **3.1 Internal Audit Plan & Service Development**

- 3.2** The Audit & Investigations Team TUPE transferred back to the Council effective from 1 April 2017.

- 3.3** A new Head of Audit & Investigations was appointed in March 2017. The new full time post holder, Michael Bradley, will start on 12<sup>th</sup> June 2017 and attend Audit Committee on 26<sup>th</sup> June 2017.





- 3.4** The Internal Audit Plan for 2016/17 has been delivered by a small in house team of 2.4 Full Time Equivalents (FTEs), one Audit Manager and one Auditor, led by a part time interim Head of Audit & Investigations, and supported by the Strategic Partner, PricewaterhouseCoopers (PwC).

- 3.5** Seven Counter Fraud FTEs posts and post holders were transferred back on 01 April 2017. One Agency worker is in post as a Counter Fraud Officer, and the team are currently recruiting to a new Trainee post.

**3.6** The key points to note with regards to progress for the current year are:

- There are sixty three internal audit projects included within the 2016/17 plan (excluding follow up and advisory work).
- There were originally 56 projects in the plan approved by the Committee in March 2017. At the March 2017 meeting we reported to the Committee an additional nine projects were added and two removed, bring the number of projects to be delivered to 63. Since then two have been removed from the plan bringing the total delivered for the year to 61. Details of these are set out in the table 2 below.
- Since the last report to the Committee 32 internal audit projects have been completed to draft or final stage. 25 of them have an audit opinion associated with them. Two have a substantial assurance opinion, 16 have a reasonable assurance opinion, 6 have limited assurance opinions, one audit (draft report stage) has been given nil assurance. Of the remaining seven projects, one relates to a grant certification and the remaining 6 to consultancy work which do not have an assurance rating attached. Please see summary in Table 1 below.
- Seven of the 25 reports issued in quarter four has a limited or nil assurance rating, not all are yet finalised, however these along with others issued in year have been considered as part of producing the Annual Report and Opinion and also consideration of themes has been undertaken to try to support the organisation in strengthening the system of internal control.
- There has been increased proportion of resources focused on schools audit since September 2016. The original audit plan contained three thematic audits. Due to concerns from members, officer and some schools within the Borough the approach to schools was reviewed and the although the focus has remained developing and embedding a thematic approach additional work has been undertaken to consider risk and develop more robust arrangements for 2017/18.
- Any audits not concluded to draft status in advance of the production of the Annual Report in May 2017 will be moved to the 2017/18 audit plan. This includes: proactive work around Zip Cars and Sickness Absence; Assurance work regarding Transparency Compliance, Treasury Management and Rent Arrears and Follow Up work relating to Brent Housing Partnership. The team also continue to work with management to finalise any reports that remain in draft prior to the date of the committee.
- 2016/17 has been a year of considerable change for the team, new leadership and a new Strategic Partner in a short time frame has certainly impacted on the timeliness of delivery. Work on the 2016/17 plan did not commence until June. Significant efforts have been made to define the right working protocols for the service, the meet current and future needs of the organisation. There has been a strong commitment from Management at all levels to support the changes and the work will continue into 2017/18.

**Table 1 – Summary of Audits Completed Since last audit report**

Total Number of Audits Completed	Substantial 	Reasonable 	Limited 	None 	Non Assurance	Total
<b>Finals</b>	2	12	2	0	4	<b>20</b>
<b>Draft</b>	0	4	4	1	3	<b>12</b>
<b>Total</b>	<b>2</b>	<b>16</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>32</b>

**Table 2 - Projects Removed from Original plan**

Audit	Reason
Pupil Premium	Removed from plan as Council only responsible for allocating funding to schools, has been included on the forward plan for thematic school audits.
Assessment of Looked After Children	Review recently carried out by external consultant.

**Table 3 – Delivery Status as at 25 May 2017**

Delivery Status	
Total number of reports to be delivered in current plan	61
Number of draft/final reports/certifications issued to date	55
% of reports issued to date	90%

#### **4. Follow Up of 2015/16 Audit Recommendations**

- 4.1.** The Public Sector Internal Audit Standards requires the Chief Audit Executive (the Head of Audit & Investigation) to establish a process to monitor and follow up management actions to ensure that they have been actively implemented or that senior management have accepted the risk of not doing so. From 2017/18 a programme to follow up school audit recommendations will be in place, the results of which will feed into the risk assessment around schools and inform future years work and resource allocation.
- 4.2.** A database of all previous year internal audit recommendations has been established on the Council's InfoStore system. Managers have access to this, and self-certify progress against recommendations, which are then subject to

periodic sample checks by internal audit. There is a need to ensure that going forward the follow up process is less resource intensive to the audit team and there is also a need to ensure that recommendations are followed up in the year that they are raised.

- 4.3.** Of the 115 Priority 1 and 2 recommendations arising from 2015/16 audits and due to be implemented by 30 March 2017, 101 had either been fully or partly implemented 11 had yet to be implemented and 3 were no longer applicable due to changes within the relevant service. Table 4 sets out the summary.

**Table 4 – Status of 2015/16 Priority 1 and 2 Recommendations**

<b>Priority</b>	<b>Total</b>	<b>Implemented</b>	<b>Partly Implemented</b>	<b>Not Implemented</b>	<b>N/A</b>	<b>Status Un</b>
Priority 1	14	11	0	0	3	0
Priority 2	101	84	6	11	0	0
<b>Total</b>	<b>115</b>	<b>95</b>	<b>6</b>	<b>11</b>	<b>3</b>	<b>0</b>

- 4.5.** With regards the 11 not implemented these have been reviewed with management to consider again the risks and the reasons for delay. In the current climate of finite resources there is sometimes a need to support management in robust decisions regarding part mitigation of risks or reviewing again to see if any alternative methods of mitigating could now be considered.
- 4.6** The team have started prepare to include 2016/17 audit recommendations in the follow up process, the Digital Services Team are supporting the set-up of the records in infostore that enables management to update the status of recommendations. The process to monitor audit recommendations is being reviewed to ensure more timely update and also that recommendations not implemented will be visible to Corporate Management Team as part of the periodic reporting.

## 5. Internal Fraud

- 5.1.** Internal fraud refers to fraud committed by employees, agency staff and staff in maintained Schools. For the purposes of this report, “fraud” includes instances of theft, fraud, misappropriation, falsification of documents, undisclosed conflicts of interest and serious breach of financial regulations. Activity for the fourth quarter of the year to date is shown in table 5 below:

**Table 5– Internal Fraud 2016/17 (Q4)**

<b>Internal</b>	<b>16/17 Full Year</b>	<b>16/17 Q4</b>	<b>15/16 Q4</b>	<b>16/17 Q3</b>	<b>16/17 Q2</b>	<b>16/17 Q1</b>	<b>15/16 Full Year</b>
Open Cases b/fwd	<b>22</b>	18	21	15	22	22	21
New Referrals	<b>28</b>	6	6	8	4	10	42
Closed Cases	<b>34</b>	8	5	5	11	10	31
Fraud / Irregularity Identified (summarised below)	<b>12</b>	4	2	1	4	2	9
Dismissal	<b>1</b>	0	1	0	1	0	3
Resignation/ Officer Left	<b>2</b>	1	0	0	0	1	5
Warning	<b>1</b>	0	0	0	1	0	1
Other positive outcome (E.g. advice, systems Improvement)	<b>8</b>	3	N/A	1	2	1	4
Open cases C/fwd	<b>16</b>	16	22	18	15	22	22

- 5.2.** We previously reported that more internal fraud cases were brought forward from quarter 4 of 2015/16 compared to the quarter 4 of 2014/15 and that the reason for this was a result of joint working with the DWP's Single Fraud Investigation Service (SFIS) on internal related NFI cases (i.e. staff benefit fraud matches). The liaison with SFIS has increased and more progress is being made on joint working. It is important to note that the Council's Investigation Team is now required to wait for SFIS to determine action on each case following their own investigations prior to these being passed to Brent's Audit & Investigations Team.
- 5.3.** Allegations of financial irregularities within schools remain a concern, it is noted that where investigations have taken place that previous audit recommendations were not implemented. The interim Head of Audit and Investigation has worked with the Operational Director, and other key stakeholders, to consider how the Council will manage the risks in these areas going forward. The Operational Director is taking a lead role in this and has requested to meet with the new Head of audit and Investigations promptly in June to ensure the focused joint work continues.

**6. Housing Tenancy Fraud**

- 6.1.** Recovery of social housing properties has a significant impact upon the temporary accommodation budget. When it existed the Audit Commission estimated that the average value, nationally, of each recovered tenancy is £18,000\*. The £18,000 figure is notional and some neighbouring Councils (e.g. Harrow) use a much greater figure based on an estimate of actual temporary housing costs over a three year period. Another National report in 2014 recommended using £75,000 per property recovered. This was based on an average three year fraudulent tenancy and included temporary accommodation for genuine applicants, legal costs to recover property, re-let cost and rent foregone during the void period between tenancies.
- 6.2.** Caseload information is set out in table 6 below. Which includes data relating to all quarters 2016/17; the totals for 2016/17; the totals for 2015/16 for comparison and also the totals from quarter four of 2015/16 to enable comparison specifically with the period for which this report relates.

**Table 6 – Housing Fraud 2016/17**

<b>Housing</b>	<b>16/17 Full Year</b>	<b>16/17 Q4</b>	<b>16/17 Q3</b>	<b>16/17 Q2</b>	<b>16/17 Q1</b>	<b>15/16 Full Year</b>	<b>15/16 Q4</b>
Open cases b/fwd	<b>121</b>	115	139	160	121	174	174
New Referrals	<b>332</b>	48	54	90	140	250	46
Closed Cases	<b>371</b>	81	78	111	101	314	99
Fraud Found	<b>52</b>	17	9	13	13	73	12
Recovered Properties	<b>44</b>	15	8	11	10	63	11
Applications Refused	<b>NIL</b>	NIL	0	NIL	0	2	NIL
Property Size Reduced (Rehousing)	<b>4</b>	1	0	2	1	5	1
Home Loss Payment recovered	<b>NIL</b>	NIL	NIL	NIL	0	0	NIL
Right to Buy	<b>4</b>	1	1	NIL	2	3	NIL
Value of properties recovered* (000s)	<b>£792</b>	£270	£144	£198	£180	£1,134	£198
Value of Right to Buy Discount Prevented** (000s)	<b>£416</b>	£104	£104	NIL	£207	£90	NIL
Value of Property Size Reduced (000s)	<b>£72</b>	£18	NIL	£36	£18	£282	£18
Open cases c/fwd	<b>82</b>	82	115	139	160	121	121

Cases with Legal for possession/ Prosecution	<b>26</b>	26	26	34	33	18	18
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Notional value of recovered properties is £18,000

\*\* Actual amount of discount stopped

- 6.3.** The team exceeded the internal target of 51 during the financial year, identifying 52 Housing related frauds.
- 6.4.** During 2016/17 there has been a greater emphasis placed on the prosecution of housing fraud and Proceeds of Crime Act (POCA) / Profit Orders rather than just recovery of the tenancy. To date, 5 cases were successfully prosecuted under the Prevention of Social Housing Fraud Act (PoSHFA). The Profit Orders granted in these cases totaled £37,162.
- 6.5.** With regards to Right to Buy (RTB) fraud, there has been a greater emphasis on tackling RTB fraud since 2015/16. The team is currently liaising closely with the Right to Buy team to develop a more proactive anti-fraud approach. The new arrangements have been approved and are now being implemented since January 2017. Right to Buy fraud is deemed to be a significant risk to Council's housing stock.



## 7. Other External Fraud

7.1. This category includes all other external fraud/irregularity cases, such as blue badge, direct payments and council tax discounts.

***Table 7 – Other External Fraud 2016/17***

<b>External Fraud</b>	<b>16/17 Full Year</b>	<b>16/17 Q4</b>	<b>16/17 Q3</b>	<b>16/17 Q2</b>	<b>16/17 Q1</b>	<b>15/16 Full Year</b>	<b>15/16 Q4</b>
Open cases b/fwd	57	13	72	106	57	56	56
New Referrals	161*	18	30	30	83	99	9
Closed Cases	204	17	89	64	34	62	8
Fraud / Irregularity	22	5	10	3	4	10	4
Prosecution	2	1	0	1	0	0	NIL
Warning/Caution	6	NIL	4	1	1	3	NIL
Overpayment/ Savings identified	7	1	5	NIL	1	7	4
Open cases c/fwd	14	14	13	72	106	5	57

\*see 7.4 for explanation of increased referrals

7.2. The team were asked by the Planning Service to investigate whether on-line comments in relation to a significant Planning Application, were valid. Evidence was gathered to suggest that they had not come from legitimate sources and this was provided to Officers who were able to take appropriate action.

7.3. The overpayment case refers to a home care agency which was found to be over-billing to the value of around £3,700 in a small sample scrutinised, recommendations were made for the department to continue the scrutiny to

identify the full extent of the irregularity.

- 7.4.** Previously work was carried out to explore a more workable approach to tackling Council Tax Reduction Scheme (CTRS) fraud. 82 cases have since been reviewed in detail. Due to complexities with DWP's remit to investigate Housing Benefit /Council Tax Benefit fraud and systems enhancements which are needed in CTRS administration, only a handful of suitable cases are being progressed to interview/sanction. This area of work has been put on hold until recommendations with the CTRS administration has been implemented to comply with legislation. This will enable Brent to consider whether pursuit of this fraud forms part of its Anti-Fraud and Corruption Strategy going forward.
- 7.5.** With regards to No Recourse to Public Funds (NRPF), the Team have developed a referral stream with the NRPF Team. However, new verification procedures within the NRPF has meant that more onus is being placed on clients to provide supporting documentation and as such, it is not expected that there will in future be any a significant increases in referrals of this type. One NRPF case was successfully investigated in Q3 with assistance being refused and a saving of £5,074.32 achieved.

## **8. Financial Implications**

- 8.1.** There are no specific financial implications associated with noting this report. However the effectiveness of financial controls and fraud investigation can clearly have financial implications.

## **9. Legal Implications**

- 9.1.** None

## **10. Diversity Implications**

- 10.1.** None.


## **11. Background Papers**

- 11.1.** 2016/17 Internal Audit Plan  
Infostore 2015/16 audit recommendations

## **12. Contact Officer Details**

Michael Bradley –Head of Audit & Investigations, Civic Centre, 7<sup>th</sup> Floor.  
Telephone – 0208 937 6526

CONRAD HALL  
Chief Finance Officer

 <b>Brent</b>	<p><b>Audit Advisory Committee</b> 26 June 2017</p> <p><b>Report from the Chief Finance Officer</b></p>
For Information	Wards Affected: ALL
<b>Internal Audit Annual Report – 2016/17</b>	

## 1. Summary

- 1.1. This report is the annual report from the Head of Audit & Investigations. The report includes an opinion on the overall adequacy and effectiveness of the Council's internal controls and presents a summary of the audit work undertaken during the year.

## 2. Recommendations

- 2.1. The Audit Committee note the content of the report.

## 3. Detail

- 3.1. The Accounts and Audit Regulations 2015 require the Council to undertake an internal audit of its control systems, taking into account public sector internal audit standards or guidance. That guidance is set out within the Public Sector Internal Audit Standards (PSIAS). These require the Head of Audit to:
- Deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
  - The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
  - The annual report must incorporate: the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

## Opinion of the Head of Audit and Investigation

- 3.2. This report gives a summary of the work carried out by Internal Audit and Investigations in the financial year 2016/17 and the results of that work. From the

work undertaken during the year, my overall opinion on the Council's system of internal control is that:

I have considered all of the work conducted by internal audit staff, the Council's audit contractor and fraud investigation staff for the year ended 31 March 2017. This includes oversight of all internal audit reports, fraud investigations and specific projects across the Council, schools and Brent Housing Partnership (BHP). In my opinion, with the exception of those areas in which limited or nil assurance reports have been issued (as set out below), the controls in place in those areas reviewed are adequate and effective.

Where weaknesses have been identified within internal audit reports and investigations, these have been accepted and actions agreed by management.

There is an improvement in overall assurances provided with more full and less no assurance. The number of limited assurance audit reports continues to be closely monitored as a percentage this is slightly increased on last year.





The framework for governance is set out in the annual governance statement and, in my view, this is an accurate description of the governance arrangements.

In relation to risk management, I have had oversight of the risk management process and conclude that the usual range of significant risks for a local authority have been identified and arrangements are in place to manage these within the council appetite for risk and available resources.

### **Summary of Work Undertaken – Audit**

- 3.3. The 2016/17 Audit Plan was approved by the Audit Committee on 23 March 2016. The plan for 2016/17 had a total of 56 projects. For the first half of the financial year the Internal Audit Plan was delivered via a shared service arrangement lead by the London Borough of Ealing. In June 2016 the shared service appointed PricewaterhouseCoopers as its Strategic Partner for the period of four years. In September 2016 an Interim Head of Audit and Investigations was appointed to oversee the delivery of the Audit Plan using the small provision of audit resources available to the Council. A review of the effectiveness of the shared service was undertaken, as had been planned at the outset in 2015, and in January 2017 it was decided that the council would commence procedures to leave the shared service and establish an in house service.
- 3.4 We have liaised with senior management throughout the year to ensure that internal audit work undertaken continues to focus on the high risk areas and, in the light of new and ongoing developments in the organisation, ensure the most appropriate use of resources. As a result of this, some changes were agreed to the plan during the year, with some audits added or deleted. The total number of projects completed in 2016/17 was 55, against a revised total plan of 61. The remaining plan could not be completed during 2016/17 due to resourcing pressures within the in-house team, however, these have been scheduled to be completed during 2017/18.
- 3.5 Audit work focused on the reliability of the financial and operational information, management accounting controls, safeguarding of assets, economy and efficiency of operations and review of compliance with relevant statutes and Council regulations.

- 3.6 For each audit where controls have been analysed, an assurance statement is issued. This simple grading mechanism provides an indication of the level of confidence in the controls in operation and the extent to which they are being applied. Each category is defined below:

	Substantial	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
	Reasonable	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
	Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
	Nil	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

- 3.7 There has been an improvement on 2015/16 overall as the percentages of nil and substantial have moved positively. The proportion of systems receiving below limited in 2016/17 was 26% which is reduced from 37% the year before. 11% more of the plan therefore was rated as reasonable or above. This is positive as the audit plan is directed at areas of inherent risk and/or where concern.

	Substantial	Reasonable	Limited	Nil
2016/17	5%	69%	26%	0%
2015/16	0%	63%	31%	6%
2014/15	3%	66%	28%	3%
2013/14	1%	56%	43%	0%

- 3.8. The following table indicates the audits completed and relevant levels of assurance (where applicable) during the 2016-17 financial year. Key themes from systems work are captured below and also highlighted within the internal fraud section later in the report. Audits marked with a \* were not finalised at the time of drafting this report.

<b><u>Audit</u></b>	<b>Assurance Opinion</b>
<b>Key Financials</b>	
Accounts Payable*	Reasonable
Accounts Receivable*	Substantial
Business Rates (NNDR)*	Reasonable
Council Tax*	Reasonable
General Ledger*	Reasonable
Housing Benefits*	Reasonable
Payroll*	Reasonable
<b>Other Council Systems</b>	
<b>Community &amp; Wellbeing</b>	
Direct Payments	Reasonable
Homelessness Prevention & Assistance	Limited
MH S117 Aftercare Service Provision	Reasonable
Service user involvement in service development and quality assurance	Reasonable
Performance & Payments to GPs and Pharmacists	Reasonable
<b>Children &amp; Young People</b>	
Early Years – Early Education for 2 year olds*	Reasonable
No recourse to public funds – homeless families	Reasonable
Schools Thematic – Finance and Governance*	Reasonable
Schools Thematic – Safer Recruitment inc Safeguarding	Substantial
Schools Thematic – Contract and Procurement	Reasonable
<b>Regeneration &amp; Environmental Services</b>	
Section 106 Agreements/Community Infrastructure Levy	Reasonable
Planning Applications	Limited
School expansion Programme*	Limited
South Kilburn Regeneration Programme*	Limited
<b>Resources</b>	

Third Party Management*	Reasonable
IT Governance*	Reasonable
<b>Corporate/Cost Cutting</b>	
Procurement - Contract Management & Monitoring	Reasonable
Business Continuity Planning	Limited
Income Generation	Reasonable
<b>Chief Executive's Department</b>	
Grants to Voluntary Organisations	Reasonable
Performance Management and Data Quality	Reasonable
<b>Brent Housing Partnership</b>	
Housing Rents (Rent Accounting)	Reasonable
Tenant Management Organisation (Watling Gardens)	Limited
Procurement and Contracts Non Major Works	Limited
Management of Non Brent Properties	Limited
Conflict of Interests and Gifts and Hospitality (Members)	Reasonable
Conflicts of Interest and Gifts and Hospitality (Staff)*	Limited
Complaints Management	Reasonable
Gas Servicing	Reasonable
Kilburn Square Coop	Limited

With finite resources the organisation is faced with developing an increasingly efficient system of internal control that is risk focused. The Audit and Investigations Team have a key role in ensuring management are supported in achieving this and do respond to requests for assistance where new process are being developed. The team notes an increase in the requests from management and a number of schools have also asked for advice, assistance or for assurances to be provided. This has been considered as part of the plan for 2017/18 and is part of the wider work on schools with Council colleagues.

Key themes identified across audits are:

- Lack of timely reconciliation or corroboration between systems or to independent information;
- Methodology deployed in management of projects;
- The use of retrospective purchase orders or other payment mechanisms that are less both less well controlled and also resource efficient;
- Timeliness of the review and update of policy, procedures;
- Loss of knowledge, corporate history and/or lack of hand over when officers leave including audit trails that cannot be accessed.

### 3.9 Follow up Reviews

Internal Audit complete a programme of follow up reviews to ensure that agreed management actions in respect of significant recommendations made have been implemented. The status of the Priority One recommendations raised during 2015/16 is as outlined within the table below:

Number of P1 recommendations to follow up	14
Number of P1 recommendations due to be implemented by May 2017	14
Number of P1 recommendations fully implemented	11
Number of P1 recommendations partially implemented	0
Number of P1 recommendations no longer applicable	3

At the request of the Audit Committee increased effort has been made in 2016/17 in ensuring the status of all outstanding recommendations is known and reported appropriately to Corporate Management team for action and Audit Committee for information. Work continues into 2017/18 with a focus on streamlining processes and will also be enhanced to include all recommendations due to ensure more timely reporting of issues.

### 3.10 Schools

The thematic internal audits undertaken in Schools during 2016/17 have provided reasonable and substantial assurance. However the number of referrals relating to financial irregularities within schools and, as noted above, the requests for support from schools who face challenges in maintaining good financial process with finite back office resources indicated that a change in the audit plan was required. The approach to schools assurance has been reviewed in light of Member and Management concerns to ensure increased assurances are available to Governing Bodies and the Council in 2017/18.

### 3.11 Internal Audit Performance

Only 90% of the plan was completed to inform this Annual Report however it is noted that this is largely due to additional work added to the plan and 55 assignments were completed compared to an original plan of 56.

The significant changes faced by the service in 2016/17 will undoubtedly had an impact on delivery of the audit plan. However the actions taken by Senior Management have brought increased stability to the service and will enable performance and service developments to be implemented in 2017/18.



### 3.12 Customer Satisfaction

The practice of seeking formal feedback has not been consistently gathered in 2016/17. A new process has been developed and will be implemented for 2017/18.

Due to the interim management arrangements and the review of the shared service there has been significant focus not only on what the service has been delivering but also on the needs of the Council going forward. Discussions have included Corporate Management Team as a group as well as Strategic Directors and their own Management Teams. Key stakeholders were interviewed as part of the review into the shared service.

Management have provided feedback on individual audits completed by both the in-house provision and PwC and this feedback has been incorporated into the continuous improvement of the service and protocols with PwC are strategic Partner.

It has been a challenging year but there has been a strong commitment on all sides to invest into the Audit and Investigations service to ensure satisfaction can be increased in future years.

### 3.13 Compliance with the Public Sector Internal Audit Standards

A self-assessment was completed to consider the audit arrangements provided by the shared service arrangement, focused on Brent Council, due to the uncertainty regarding the future at the time. This was reviewed again in March 2017 when the standards were updated.

A number of areas were identified where there was no evidence of compliance with the standards. Actions have been taken to address this where possible in 2016/17 and particularly to ensure evidence could be presented if required, further work will be required in 2017/18. It is also noted that as the standards have been in place now for five years that the Council should be seeking an independent review of the service before the end of this financial year.

### 3.14 Whistleblowing

The team have received six whistle-blower reports in 2016/17 under the Council's policy. Two were in relation to the Council directly and the others related to Schools. The teams work on five of the six is concluded at the time of producing this report. The team work closely with Human Resources with regards ensuring the requirements of the Council's whistleblowing policy are met.

### 3.15 Anti-Fraud & Corruption Activity

Fraud affecting the council can be split between internal, committed by staff, or external, committed by third parties. As with all other large institutions in both the public and private sector, the council suffers from both. The team have reviewed the Anti-Fraud and Corruption Policy during 2016/17 and delivered both reactive and proactive assignments during the year, to deliver the approved Strategy.

During 2016/17 the team consisted of ten FTEs, Eight of which were qualified officers. In Q4 two agency workers left so at the end of the financial year there were Eight FTEs, six of whom are qualified officers. The budget for the Anti-Fraud work in 2016/17 was circa £500k.

Quarterly reports regarding caseload and outcomes are reported to both Corporate Management Team and Audit Committee. A high level summary of the year is included within this report.

During 2016/17 the team used their powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 201444 63 times (source; NAFN authorised approved requests).

### Internal Fraud

At the start of 2016/17 22 internal cases were open, during the year another 28 referrals were received. During the year 34 of these cases were closed. In 12 of these closed cases Fraud was identified. In Eight cases system improvements were required in four cases an officer left the Council (2) was dismissed (1) or issued a warning (1). The outcomes of work indicate the need to refocus attention on the control environment, which is why more proactive work has been undertaken, as weaknesses in control will increase the likelihood that fraud will occur and where a robust control environment is embedded resources are not wasted investigating false allegations against officers.

In Q1 and Q2 of 2016/17 a significant proportion of staff time was spent in investigating allegations of housing corruption, time was spent in analysing particular allocations decisions and data on associated housing allocation. The work identified no fraud but the risk remains high and therefore further proactive work is being undertaken.

The robustness of declaration of interests approach and therefore the management of the conflict of interest risk has been a theme in a number of investigations, we have been working with Human Resources to look at strengthening the process and this will be overseen by the Corporate Governance Group.

### Housing Fraud

At the start of the year there were 121 open cases, with a further 332 new referrals received in year. 371 cases were closed leaving 82 cases open at the end of the year. Use of intelligence available to the team assists in the efficient vetting of cases and where required prompt closure of cases. The team have worked with other teams and organisations who refer fraud to ensure the quality of the referrals is high.

In 52 of the above cases Fraud was found. This resulted in 44 recovered properties, four families rehoused to a smaller property, four right to buy properties recovered, prevention of £416k of right to buy discount being granted, 26 of the cases are being prosecuted.

### External Fraud

External Fraud includes all other external fraud/irregularity cases, such as blue badge, direct payments and council tax discounts.

At the start of 2016/17 there were 57 open cases, 161 new referrals were received, and 204 cases closed therefore 14 cases remained open at year end.

In 22 of the cases fraud was identified, two prosecutions were secured with six cases concluding in a caution or warning. In seven cases financial savings were identified.

The team has promoted publicly the success on these external cases in an attempt to deter fraudsters in the future.

#### **4. Diversity Implications**

4.1. None

#### **5. Background Papers**


5.1. None

#### **6. Contact Officer Details**

Michael Bradley, Head of Audit & Investigations, 7th floor, Brent Civic Centre  
Telephone – 0208 937 6526

CONRAD HALL  
Chief Finance Officer

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 <b>Brent</b>	<p><b>Audit Advisory Committee</b> 26 June 2017</p> <p><b>Report from the Chief Finance Officer</b></p>
For Information	Wards Affected: ALL
<b>2016-17 Treasury Management Outturn Report</b>	

## 1. INTRODUCTION

- 1.1 This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2016/17.

## 2. RECOMMENDATION

- 2.1 The Committee is asked to consider the 2016/17 Treasury Management outturn report, which will be presented to the Cabinet and Council, in compliance with CIPFA's Code of Practice on Treasury Management (the Code).

## 3. BACKGROUND

- 3.1 The Council's treasury management activity is underpinned by the Code, which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year.
- 3.2 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Investment Guidance.
- 3.3 The Council has borrowed money over the long term to support investment in the Council's infrastructure and also invests balances held for short periods. It is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are central to the Council's treasury management strategy.

## **Economic background**

- 3.4 The recovery in the UK continued with steady, though slowing, economic activity and growth. Q1 2017 GDP showed year-on-year growth of 2% but quarterly growth of 0.2%. The only positive light in Q1 was solid manufacturing growth. Consumer Price Index (CPI) has increased to 2.9% since then, and is expected to grow due to the weakness of the pound. This imported inflation is part of the reason why the economy's inflation rate is expected to exceed the Bank of England's target for the coming year. While employment is currently at a record level of 74.8% of the working age population, pay is stagnant and there are widespread political unease around inequality and the low productivity of the UK.
- 3.5 Recent political events have given rise to a very uncertain environment, and it is very difficult to forecast what effect this will have on the way the UK economy develops. Much will depend on the actions and reactions of a wide range of individuals and organisations which are impossible to foresee

### **Gilt Yields and Money Market Rates**

- 3.6 Gilt yields (the rate of interest on UK government borrowing) rose in the first quarter of 2016/17 and then fell in over the rest of the year. 10 year yields ended the year at 1.3% and 20 years at 1.95%, both slightly lower than the at the start of the year.
- 3.7 Interest rates on short term inter-bank lending remained below 1% through the year.

### **The Borrowing Requirement and Debt Management**

- 3.8 The table below summarises the Council's borrowing activity during 2016/17. The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31/03/2017 was estimated to be £580m.

	Balance 01/04/201 6 (£m)	New Borrowing (£m)	Borrowing Repaid (£m)	Balance 31/03/201 7 (£m)	Average Rate (%)	Average Life (Years)
CFR	58			58		
Short Term Borrowing	0	0	0	0	0	
Long Term Borrowing	41	0	4	41	4.79	35.2

- 3.9 At 1 April 2016 the Council had £419 million of long-term borrowing, to finance its previous years' capital programmes. With short-term interest rates being much lower than long-term rates, it was more cost effective in the short-term to use internal resources rather than undertake further long-term borrowing. By doing so, the Council has been able to reduce net borrowing costs and reduced overall treasury risk, because overall borrowing has been reduced slightly. No temporary borrowing was required during the year. The average rate of 4.79% was higher than last year's rate of 4.76% and this was due to the redemption of £4m of PWLB loans that are paid back steadily over their lifetime. To repay the Council's loans would involve paying a premium to compensate PWLB for their inability to relend the money at the rate at which they have financed the loan. For example, the Council's most expensive loan is £3.05m at a rate of 8.875%, to repay it would cost £0.935m, a 30% premium on the value of the loan before the cost of re-financing. In short, the cost of re-financing our loans under the Government's punitive approach means is not economical. This analysis might change if interest rates returned to historically normal levels.
- 3.10 The Treasury Management Strategy approved by the Council in February 2016 states that the Council will maintain borrowing at the lowest level consistent with prudent management of the Council's finances. This implies that, at present discount rates, we will not undertake premature repayment of debt but that, in conjunction with our Treasury Management advisers, Arlingclose, we will remain abreast of developments and be prepared to borrow up to the level of CFR if a significant permanent rate rise appears likely. These circumstances did not arise during the year.
- 3.11 The Authority has £80.5m exposure to LOBO loans (Lender's Option Borrower's Option) of which £40.0m of these can be "called" within 2017/18. £15m of these were transformed into regular fixed rate loans in 2016/17.
- 3.12 LOBOs are so-called because lenders can exercise their rights at set times to amend the interest rate on the loan. At that point, the Borrower can accept the revised terms or reject them and repay the loan without penalty. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion, which was intended to be compensated for by a lower interest rate being paid in exchange for which the interest rate is lower than would be paid to the PWLB. This risk is mitigated by the fact that the Council's current cash holdings mean that any repayment could be accommodated by reducing deposits in a relatively short time and that it would financially advantageous to do so at current interest rates.
- 3.13 Any LOBOs called will be discussed with Arlingclose prior to acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted. It is considered a significant possibility that some LOBOs may be called over the next few years due to the

need for the commercial banks to comply with Basle III regulations for banks in 2019.

- 3.14. There are complex arguments made about LOBOs, by their supporters and by their detractors. The Council's position is simply that the LOBOs are part of its portfolio, and must therefore be managed as effectively as possible. There are no plans to enter into further LOBO contracts. However, it should be noted that the average rate of interest being paid on LOBOs is little different to that on PWLB debt (4.75% compared to 4.71% at 31 March) and the range of rates lower. The most expensive LOBO was at 6.234% on 31 March, compared with the most expensive PWLB at 8.875%.
- 3.15 HM Treasury (HMT) consulted on its proposal to subsume the functions of the PWLB into the Treasury during the year and published its response to comments. HMT feel that its proposals take into account the comments made and intend to proceed to seek legislation to implement them. Brent is unlikely to be adversely affected by the proposals as they involve little practical change to present arrangements

### **Investment Activity**

- 3.16 Both CIPFA and the CLG Investment Guidance require the Council to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield. The table below summarizes investment activity during 2016/17.

Investments	Balance on 01/04/2016 (£m)	Investments made (£m)	Investments repaid (£m)	Balance on 31/03/2017 (£m)	Average Rate (%)
Fixed Term Deposits	91	582	522	151	0
Marketable instruments	50	103	153	0	
Money Market Funds and notice deposits	23	601	608	16	0
<b>TOTAL INVESTMENTS</b>	<b>164</b>	<b>1286</b>	<b>1283</b>	<b>167</b>	<b>0</b>



- 3.17 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2016/17 which defined "high credit quality organisations" as those having a long-term credit rating of A- or higher that are domiciled in the UK or overseas where the sovereign rating is AA+ or higher.
- 3.18 The growth of bail-in risk gave rise to the decision to restrict the maximum maturity with market financial institutions to three months and use only marketable instruments issued by them. Bail-in means that long-term loans in financial institutions are converted into equity (shares) that are not easily convertible for many years, preventing Brent from accessing the resources, and potentially giving them a hefty cut in their value.
- 3.19 New investments with banks and Building Societies have been undertaken by means of marketable instruments and the Treasury bill market has also been used. Treasury bills have largely replaced the use of the UK Debt Management Office (the Bank of England's temporary borrowing team, who are effectively a deposit taker of last resort, borrowing at 0.1%) which has been used on rare occasions to invest large receipts at short notice. The risk of bail in has recently declined for many UK institutions, but investment decisions still need to be made on a case by case basis.

### **Credit developments and credit risk management**

- 3.20 The Council assessed and monitored counterparty credit quality with reference to credit ratings, credit default swaps (a means of insuring loans), perceived credit-worthiness of the country in which the institution is registered and its share price. The minimum long-term counterparty credit rating determined by the Council for the 2016/17 treasury strategy was A- across rating agencies Fitch, S&P and Moody's. The mechanism for dealing with a failed bank, which was brought into effect through the Financial Services (Banking Reform) Act 2013, is now in operation. The Council continues to monitor risks, with advice from Arlingclose. The Council did not make any deposits with institutions in the Eurozone during the year.

### **Liquidity Management**

- 3.21 Combining changes to the regulatory environment and our adoption of a mainly three month lending limit, investments with financial institutions are now normally by means of purchasing 3 month Certificates of Deposit (CDs). Longer maturities with less unattractive rates can be obtained from Local Authorities, though these will depend on being able to satisfy demand when it arises. At peak periods, mindful of the primacy of security as a criterion for decision making, substantial balances may be held in short term investments, particularly Money Market Funds. The use of short term borrowing at times of

lower cash balances is judged to maintain a prudent balance between maintaining security and liquidity and achieving a reasonable yield on investments, though this was only required for one week in 2016-17.

### **Yield**

- 3.22 The UK Bank Rate dropped to 0.25% during the year. Short term money market rates also remained at low levels which continued to have a significant impact on investment income. The average 3-month LIBID rate during 2016/17 was 0.47%, the 6-month LIBID rate averaged 0.60% and the 1-year LIBID rate averaged 0.79%. The low rates of return on the Council's short-dated money market investments reflect prevailing market conditions and the Council's objective of optimising returns commensurate with the principles of security and liquidity.
- 3.23 The Council's budgeted investment income for the year had been estimated at £0.7m. The average cash balance during the year was £199m during the period and interest earned was £1.0m, an average return of .52%. The interest earned in 2015/16 was £0.9m on an average cash balance of £186m or 0.45%

### **Update on Investments with Icelandic Banks**

- 3.24 The Council has now recovered 98% of its £10 million deposit with Heritable Bank. The administrators have not made any further estimate of final recoveries yet, though a further distribution is expected, subject to the outcome of a legal case.

### **Compliance**

- 3.25 The Council confirms that it has complied with its Prudential Indicators for 2016/17, which were approved by the Council on 22 February 2016 as part of the Council's Treasury Management Strategy Statement.
- 3.26 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2016/17. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. Further information is set out in Appendix 2.

### **Investment Training**

- 3.27 The needs of the Council's treasury management staff for training in investment management are kept under review and considered as part of the staff

appraisal process, and additionally when the responsibilities of individual members of staff change.

- 3.28 During 2016/17 staff attended training courses, seminars and conferences provided by Arlingclose and CIPFA and opportunities which may arise with other organisations are considered.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 Already noted within the report as this is the Treasury Management Outturn Report.

#### **5. LEGAL IMPLICATIONS**

- 5.1 None identified.

#### **6. DIVERSITY IMPLICATIONS**

- 6.1 None identified.

#### **7. STAFFING IMPLICATIONS**

- 7.1 None identified.

#### **8. BACKGROUND INFORMATION**

Treasury Management Strategy Report to Council – 22 February 2016  
2016/17 Mid-Year Treasury Report to Council – 21 November 2016

#### **9. CONTACT OFFICERS**

Gareth Robinson  
Tel: 020 8937 6567  
[gareth.robinson@brent.gov.uk](mailto:gareth.robinson@brent.gov.uk)

CONRAD HALL  
Chief Finance Officer

## Appendix 1 - Debt and Investment Portfolio Position 31/3/2017

	31/3/2017 Actual Portfolio £m	31/3/2017 Average Rate %
<b>External Borrowing:</b>		
PWLB – Maturity	288	5.0
PWLB – Equal Instalments of Premium		
Fixed Rate Market Loans	32	2.6
LOBO Loans	15	4.3
<b>Total External Borrowing</b>	80	5.1
	<b>415</b>	<b>4.8</b>
<b>Other Long Term Liabilities:</b>		
PFI	30	9.5
<b>Total Gross External Debt</b>	<b>445</b>	<b>5.0</b>
<b>Investments:</b>		
Deposits	151	0.4
Money Market Funds	16	0.3
<b>Total Investments</b>	<b>167</b>	<b>0.4</b>
<b>Net Debt</b>	<b>278</b>	<b>7.9</b>

## Appendix 2 – Prudential Indicators

### (a) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2016/17 is shown in the table below:

<b>Capital Financing Requirement</b>	<b>31/03/2017 Estimate £m</b>	<b>31/03/2017 Actual* £m</b>
General Fund	459	439
HRA	137	141
<b>Total CFR</b>	<b>596</b>	<b>580</b>

\*Uses provisional estimates from Draft Statement of Accounts

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

<b>Debt</b>	<b>31/03/2017 Estimate £m</b>	<b>31/03/2017 Actual £m</b>
Borrowing	415	415
PFI liabilities	30	30
<b>Total Debt</b>	<b>445</b>	<b>445</b>
<b>Borrowing in excess of CFR?</b>	<b>No</b>	<b>No</b>

### (b) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other

long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

The Director of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2016/17.

	Operational Boundary (Approved)	Authorised Limit (Approved)	<b>Actual External Debt 31/03/2017</b>
Borrowing			415
Other Long-term Liabilities			30
<b>Total</b>	<b>750</b>	<b>850</b>	<b>445</b>

**(c) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed.

	Approved Limits for 2016/17 Proportion %	Maximum during 2016/17 Proportion %
<b>Upper Limit for Fixed Rate Exposure</b>	100	100
Compliance with Limits:	Yes	Yes
<b>Upper Limit for Variable Rate Exposure</b>	40	0
Compliance with Limits:	Yes	Yes

**(d) Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Actual Fixed Rate Borrowing at 31/03/2017 £m</b>	<b>% Fixed Rate Borrowing at 31/03/2017</b>	<b>Compliance with Set Limits?</b>
under 12 months	40	0	39	9	Yes
12 months and within 24 months	20	0	4	1	Yes
24 months and within 5 years	20	0	65	16	Yes
5 years and within 10 years	60	0	5	1	Yes
10 years and within 20 years	100	0	25	6	Yes
20 years and within 30 years	100	0	1	0	Yes
30 years and within 40 years	100	0	235	57	Yes
40 years and within 50 years	100	0	36	9	Yes
50 years and above	100	0	5	1	Yes

**(e) Capital Expenditure**

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

<b>Capital Expenditure</b>	<b>31/03/2017 Estimate £m</b>	<b>31/03/2017 Actual £m</b>
Non-HRA	162.4	46.7
HRA	60.7	54.0
<b>Total</b>	<b>223.1</b>	<b>100.7</b>



**(f) Ratio of Financing Costs to Net Revenue Stream**

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>31/03/2017 Estimate %</b>	<b>31/03/2017 Actual %</b>
Non-HRA	7.97	7.16
HRA*	12.80	12.16
<b>Total</b>	<b>8.76</b>	<b>8.04</b>

**(g) Adoption of the CIPFA Treasury Management Code**

This indicator demonstrates that the Council adopted the principles of best practice.

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in February 2013

**(h) Upper Limit for Total Principal Sums Invested Over 364 Days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.


	<b>31/03/2017 Approved £m</b>	<b>31/03/2017 Actual £m</b>
	20	0

**(i) HRA Limit on Indebtedness**

HRA Debt Cap (as prescribed by CLG)	£199m	
	<b>31/03/2017 Estimate £m</b>	<b>31/03/2017 Actual £m</b>
HRA CFR	137	141*

\*Provisional Based on Draft Accounts

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 <b>Brent</b>	<p><b>Audit Advisory Committee</b> 26 June 2017</p> <p><b>Report from the Chief Finance Officer</b></p>
For Information	Wards Affected: ALL
<b>Draft Risk Management Strategy 2017-2019 and Strategic Risk Register</b>	

## 1. Summary

- 1.1. This report provides an update on the review of Risk Management and sets out the draft Risk Management Strategy for 2017-2019 an implementation plan to embed the new strategy and the updated Strategic Risk Register.

## 2. Purpose of the Report

- 2.1 In accordance with the terms of reference for the Committee, the report is presented to '*enable the Committee to monitor the effective development and operation of risk management and corporate governance in the Council.*'

## 3. Recommendations

- 3.1. The Audit Committee approve the 2017/19 Risk Management Strategy at Appendix A to this report.
- 3.2. The Audit Committee note and comment on the draft implementation plan to embed the new Strategy at Appendix B of this report.
- 3.3. The Audit Committee notes the current Strategic Risk Register at Appendix C of this report.

#### **4. Detail**

##### **Risk Management Strategy 2017/19**

- 4.1. The Corporate Management Team (CMT) and Audit Committee, during 2016/17, have asked that the good work to identify and manage risk within the Council is properly captured and communicated effectively. This should further embed good practice across the organisation and maximise the assurances available to management and Members.
- 4.2. A review of arrangements reported at the March Audit Committee, gave positive assurance regarding the management of risk. However, opportunities were identified to strengthen arrangements - in particular ensuring that communication between interrelated risks at the operational level is enhanced; risk is linked more closely to performance data ensuring that risk is monitored and reported at the right level of the business in line with an approved appetite and tolerance.
- 4.3. As a result of the review and feedback from Members and Corporate Management Team, the Strategy has been refreshed with some key principles in mind. The process needs to be as simple and efficient as possible; guidance available will need to be reviewed as part of the implementation plan; and Audit Committee Members requested that (Strategic) risk management activity is more visible to other Members including the Cabinet.
- 4.4. The draft strategy is attached as Appendix A.
- 4.5. Since the last meeting of the Audit Committee, there has been further input to the process from the Risk Management Group and the Council's Performance Team. As a result, it has been identified that, should the new strategy be agreed and processes amended to include risk reporting to Cabinet, then reporting of risk could be ultimately incorporated into periodic performance reporting as opposed to being a separate report.
- 4.6. It has also been noted that the links to the Borough Plan are relevant and these links will be developed as the Strategic Risk Register evolves.

## **Implementation Plan**

- 4.7 To support the implementation of the new strategy, an implementation plan has been drafted and is included as Appendix B. Progress towards completion of the plan will be provided to the Audit Committee as part of scheduled periodic reporting.

## **Strategic Risk Register**

- 4.8 Anew Strategic Risk Register has been developed with risks linked to the objectives outlined within the Council's 2020 Vision.
- 4.9 The risk register has been developed with input from the council's Performance Team, Risk Management Group, Internal Audit and Corporate Management Team.
- 4.10 The inherent risks the Council faces and owned and monitored at the Departmental level within the Risk Management arrangements. This includes:
- Safeguarding (Children and Adults);
  - Business Continuity;
  - Information Governance;
  - Legislative Compliance;
  - Fraud and Corruption;
  - Financial Stability;
  - Health and Safety.

These risks will be incorporated into the Strategic Risk Register when net or mitigated risk ratings are deemed to be of a level that exceeds the appropriate tolerance. At June 2017 when the Strategic Risk Register has been reviewed and discussed at Corporate Management Team, with input from Internal Audit and other assurances available, none of these inherent high risks are currently rated as over 20 and therefore 'Red'. As part of the implementation plan and the on-going development of the Risk Management Framework the thresholds for escalation will be reviewed and agreed with Corporate Management Team and Members, to ensure for each risk an specific threshold is set.

## **5. Financial Implications**

- 5.1. The Strategy does not seek to increase the resources required to manage risk or facilitate the reporting of risk. It recognises the need for streamlined processes as resources within the Council reduce. The Audit and Investigation Service do not currently have dedicated risk resources. This can be considered as part of a planned restructure. The cost of implementing the new Strategy can be achieved within the wider Finance budgets of which Audit and Investigations is part.

## **6. Legal Implications**

- 6.1. All Local Authorities are required to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 20015:

“A relevant authority must ensure that it has a sound system of internal control which:

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.”

## **7. Diversity Implications**

- 7.1. None

## **8. Background Papers**

- 8.1. None

## **9. Contact Officer Details**

Michael Bradley, Head of Internal & Audit & Investigations, 7<sup>th</sup> Floor, Civic Centre.  
Telephone – 0208 937 6526

CONRAD HALL  
Chief Finance Officer



**RISK MANAGEMENT  
POLICY STATEMENT AND STRATEGY**

PRODUCED BY: HEAD OF AUDIT & INVESTIGATIONS  
SUBJECT TO REVIEW EVERY TWO YEARS

**APPROVED BY:**

- CORPORATE MANAGEMENT TEAM:
- AUDIT COMMITTEE:
- CABINET:

## **RISK MANAGEMENT POLICY AND STRATEGY**

### **RISK MANAGEMENT POLICY**

The Strategic priorities of the Council are set out within the Corporate Plan and in delivering against these priorities decisions are taken regarding allocation of increasingly finite resources. The Council has needed to become more innovative and commercially minded in order to exploit opportunities whilst still operating in an environment where there are high expectations around transparency, integrity and accountability. Value for Money remains at the heart of good governance in local authorities and the Council acknowledges that:

- Risk Management is a key element of the Council's Governance Framework;
- statutory responsibilities exist within the Accounts and Audit Regulations;
- all Members and Officers have responsibility and a role to play in managing risk; and
- effective management of risk will ensure that the organisations objectives, and resulting outcomes, are achieved.

It is further promoted that:

Risk management is not about being 'risk averse' – it is about being 'risk aware'. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives. Risk management is about making the most of opportunities and about achieving objectives once those decisions are made. By being 'risk aware' the Council is in a better position to avoid threats and take advantage of opportunities.

The Council will achieve effective Risk Management through:

- Implementing Strategy and Process that is fit for purpose and compliments the other governance processes within the framework;
- Ensuring a consistent understanding and application of the organisations risk appetite and tolerance is in place;
- Equipping managers with the skills required to identify and assess risk and communicate this appropriately and effectively;
- Acknowledging that increasingly risks are shared across partner organisations, which can increase the complexity of analysis and reporting, and also that assurances regarding the level of risk may need to be sought from third parties as well as internal sources;
- Annually reviewing the effectiveness of Risk Management and reporting results as part of the Annual Governance Statement;
- Reviewing the Council's risk appetite and tolerance as part of the process to set the Strategic Objectives; and
- Considering on an on-going basis that the Council's approach remains in line with good practice, whilst reviewing and approving the Policy and Strategy formally every two years.

Signed:

.....  
Muhammed Butt  
Leader of the Council

.....  
Carolyn Downs  
Chief Executive



# RISK MANAGEMENT POLICY AND STRATEGY

## RISK MANAGEMENT STRATEGY

### INTRODUCTION

The Council recognises the importance of effective identification, evaluation and management of all key strategic and operational risks.

The tangible and intangible benefits of Risk Management are:

- Improved Strategic Management - Greater ability to deliver against objectives and targets with finite resources;
- Improved Operational Management - Reduction in interruptions to service delivery and/or in managerial time spent dealing with the consequences of a risk event having occurred;
- Improved Financial Management - informed holistic decision-making and reduction in losses or claims against the council, reduced insurance premiums; and
- Improved Customer Service & Outcomes - minimal service disruption, increased satisfaction and optimal service delivery.

This is endorsed by the increased focus on the importance of governance to public sector bodies. The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 20015:

“A relevant authority must ensure that it has a sound system of internal control which:

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.”

The Risk Management strategy (and Policy Statement) provides the foundation on which robust risk management activity, which supports the efficient and effective delivery of services, will be embedded within business process and contribute to the effectiveness of the governance framework.

More detail to support and guide the organisation is available and during the period of this Strategy this material will be reviews and a Risk Management Toolkit developed.

### OUR DEFINITIONS OF RISK

Risk has traditionally been defined as being the threat that an event or action will adversely affect the Council's ability to achieve its objectives. Increasingly, this is seen as too negative a view and a more appropriate view is that risk arises as much from our failing to respond to business opportunities when pursuing strategic and operational objectives, as it does from a threat that something bad will happen.

***Risk is therefore an uncertainty of outcome whether it is a positive opportunity or a negative threat.*** This means an event or action adversely affecting the

## RISK MANAGEMENT POLICY AND STRATEGY

Council's ability to achieve its objectives or successfully execute its strategy and or limit its ability to exploit opportunities. There are also risks associated with not taking a particular course of action.

Risk is an inevitable part of everyday business and cannot be eliminated - but it can be managed.

***Risk Management is the planned and systematic approach to the identification, evaluation and economic management of the risks associated with the Council's activities.*** It is a key element of the corporate governance framework.

Risks can be managed by:

- Terminating – ceasing the activity;
- Transferring – passing to a third party, usually via a contract;
- Treating – management action / control to bring within appetite;
- Tolerating – accepting the current level of risk, because it is within the council's defined appetite to do so.

***Inherent (Raw) Risk*** is the level of risk faced by the Council prior to any controls being put in place.

***Control*** is the processes, policies and procedures used to govern the Council's work or any additional controls or mitigating actions taken to deal with a particular situation. A judgement has to be made by the risk owner as to the numerical reduction to the inherent (raw) risk score to produce the residual (net) risk score.

***Residual (Net) Risk*** is the level of risk faced by the Council after controls have been applied.

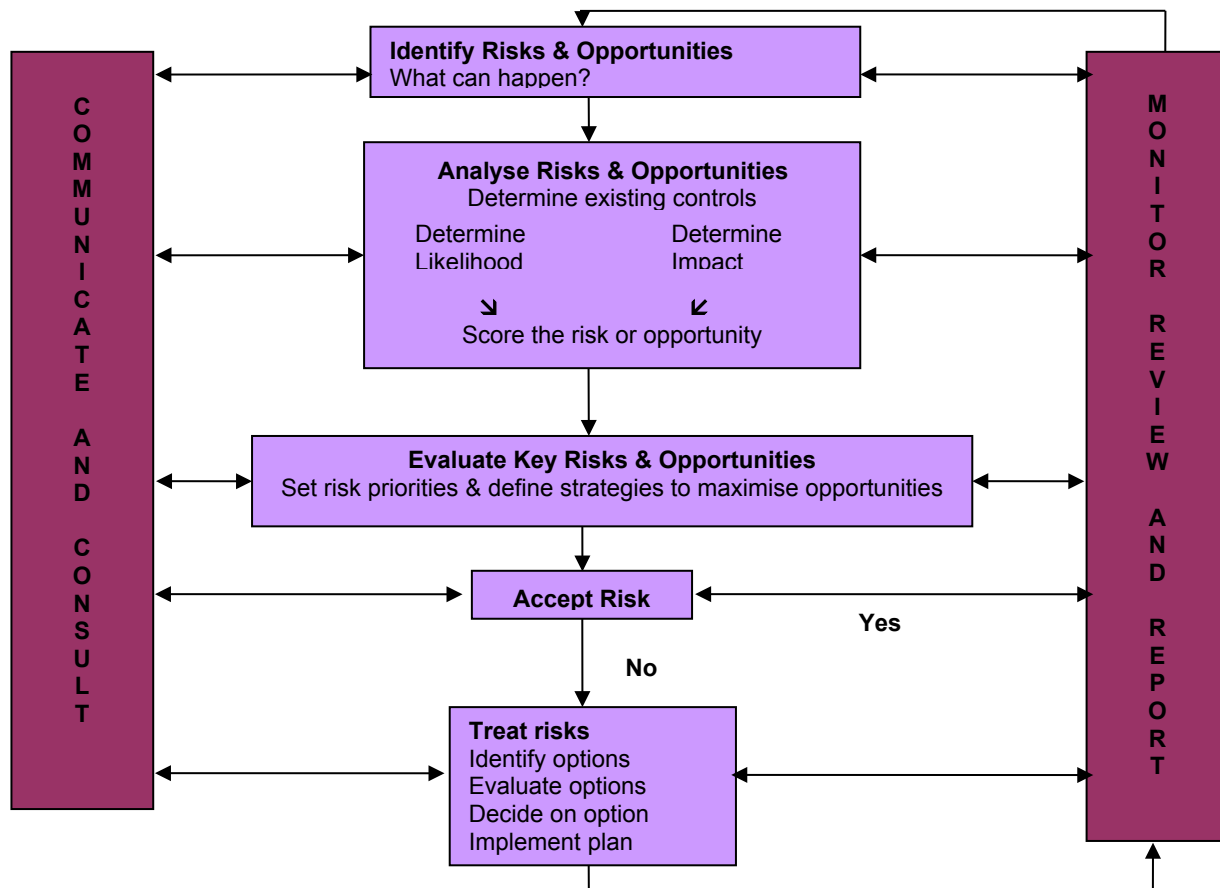
***Acceptable Risk*** is the threshold value, assessed by management, above which a risk cannot be allowed to go - i.e. the amount of risk the Council is prepared to tolerate before action is required. The Council's Risk appetite and tolerance is reviewed periodically to ensure that the thresholds for escalation from Directorate Level Risk Registers onto the Strategic Risk Register for reporting to Corporate Management Team and Members.

## RISK MANAGEMENT POLICY AND STRATEGY

### THE RISK MANAGEMENT PROCESS

The diagram below shows the risk management cycle and emphasises the importance of on-going consultation and communication throughout the process as well as the need to monitor, review and report.

#### THE RISK MANAGEMENT CYCLICAL



## **RISK MANAGEMENT POLICY AND STRATEGY**

### **AIMS AND OBJECTIVES**

The Council's risk management aims and objectives are as follows:

- To embed risk management into the culture of the Council, focusing on ensuring that there is effective communication and maximum benefit from the activity
- To proactively identify and manage opportunities and risks in accordance with good practice
- To take actions to maximise opportunities and to minimise the likelihood of risks occurring and/or reducing the impact of consequences should risks occur
- To report regularly on the effectiveness of the arrangements, including an annual review to ensure continued compliance with good practice guidance
- Increase consistency of risk rating, through clear and concise guidance and ensure performance data underpins assurances and informs ratings
- To ensure the Council's appetite and tolerance of risk is defined, at all levels, and consistently understood
- Linked to the above – To ensure that risks are owned and monitored at the right level of the organisation and only escalated to Senior Management and Members when the risk is deemed outside of the local appetite or tolerance
- To ensure that the Risk Management processes that underpin the Strategy are not onerous on Management or support services of the Council

These will be achieved by:

- **PROPER PRACTICES, ACCOUNTABILITY AND REPORTING**
  - Continuous development of corporate risk management arrangements
  - Clearly identifying and communicating the respective roles, responsibilities and reporting lines for managing risk
  - Ongoing monitoring and reporting to all levels
- **AWARENESS AND TRAINING**
  - Reinforcing the importance of risk management as part of the everyday work of Council employees through targeted training and various awareness raising activities
- **RISK IDENTIFICATION AND MANAGEMENT**
  - Risk management is incorporated into the: corporate, directorate, service & financial planning; strategic policy decision making; performance and project management, health and safety and other relevant activities
  - Taking actions and implementing controls to minimise the likelihood of risks occurring, maintain business continuity and/or reduce the impact of consequences should risks occur
  - Continual development of risk registers to facilitate opportunities to reduce duplication between departments in identifying and managing overlapping risks whilst providing opportunities for shared learning across the Council

## **RISK MANAGEMENT POLICY AND STRATEGY**

- Encouraging partners and other providers to adopt proactive risk management

### **DELIVERING THE STRATEGY**

- A good understanding of risk management and a strong commitment from both Members and Officers exists within the Council which will support delivery and achievement of objectives.
- Roles and responsibilities are outlined in appendix 1 of the Strategy, these have been refreshed to support the new processes that will underpin the Strategy.
- An implementation plan has been developed and will be monitored throughout the life of the strategy, the progress will be reported to Management and Members.

### **ASSURANCES REGARDING RISK MANAGEMENT**

The Executive Management Team and Audit Committee receive quarterly reports which include:

- the updated strategy, for approval
- progress reports on delivering the implementation plan
- key issues arising, including feedback from the Risk Management Group
- the Strategic Risk Register

Independent validation of the overall corporate risk management arrangements is obtained from the Head of Audit & Investigations on an annual basis.

Risk Management is reviewed as part of the process to develop the Annual Governance Statement.

## APPENDIX 1: ROLES AND RESPONSIBILITIES

<b>Elected Members</b> (Individually or collectively)	To oversee the effective management of risk within the Council	<ul style="list-style-type: none"> <li>• Gain an understanding of risk management and its benefits which includes attending relevant training</li> <li>• Contribute to the identification of strategic risks</li> <li>• Give robust consideration to the risk management implications paragraph contained within Committee reports as part of the decision making process</li> </ul>
<b>Audit Committee</b>	As above	<ul style="list-style-type: none"> <li>• Challenge risk management related policies and strategies (e.g. corporate, health &amp; safety etc) before referring to Cabinet for approval</li> <li>• Receive regular reports on the: <ul style="list-style-type: none"> <li>• adequacy and effectiveness of the Council's risk management arrangements</li> <li>• management of key risks.</li> </ul> </li> <li>• Provide an opinion as part of its annual report on whether the assurance / risk management process is fit for purpose</li> </ul>
<b>Corporate Management Team</b> (Individually or Collectively)	To ensure that the Council manages risk effectively through the development of a corporate policy and strategy	<ul style="list-style-type: none"> <li>• Approve risk management related policies, strategies and the action plans prior to submission to Committee</li> <li>• Promote risk management and oversee the implementation of the strategy across the Council</li> <li>• Identify and manage strategic and cross cutting risks and opportunities facing the Council and review regularly</li> <li>• Agree any inputs and resources required to support the work corporately</li> <li>• Oversee the role of Risk Management Group to ensure it remains an added value meeting</li> </ul>
<b>Directorate Management Teams / Risk Owners</b>	To ensure that operational and strategic risks within Directorates are effectively managed	<ul style="list-style-type: none"> <li>• Maintain directorate risk registers and update risks quarterly, or more frequently if required</li> <li>• Escalate risks to Corporate Management Team where rating has exceeded the set threshold</li> <li>• Promote robust risk management within services and teams</li> </ul>
<b>All Employees</b>	To manage risk effectively in their job	<ul style="list-style-type: none"> <li>• Maintain an understanding of risk management and its benefits which includes attending relevant training</li> <li>• Identify new or changing risks in their job and feed these back to their line manager</li> </ul>
<b>Head of Internal</b>	To maintain and implement	<ul style="list-style-type: none"> <li>• Develop and keep under review the corporate risk management policy, strategy and action plan</li> </ul>

## APPENDIX 1: ROLES AND RESPONSIBILITIES

<b>Audit</b> (in risk management role)	robust risk management arrangements	<ul style="list-style-type: none"> <li>• Promote, support and oversee its implementation across the Council</li> <li>• Monitor and report upon the implementation of the risk management policy, strategy and action plan</li> <li>• Identify and communicate risk management issues to services including developments in good practice</li> <li>• Assist services in undertaking risk management activity through training and or other support</li> <li>• Feed into the work of the Risk Management Group</li> <li>• Provide annual opinion relating to risk management.</li> </ul>
<b>Internal Audit</b>	To provide assurance as to whether the risk management arrangements are fit for purpose	<ul style="list-style-type: none"> <li>• Periodically provide an independent view of the robustness of the corporate approach to risk management and compliance therewith</li> <li>• Review and comment on the content and relevance of service risk registers in supporting the delivery of the service plan objectives when undertaking risk based audits</li> </ul>
<b>Risk Management Group</b>	To share experiences on risk management and support the implementation of the strategy across the Council	<ul style="list-style-type: none"> <li>• Comment on updates to the risk management framework</li> <li>• Share good practice on all aspects of risk management</li> <li>• Challenge the risks being escalated against agreed appetite and tolerance</li> <li>• Agree the risks to be included from the Directorate Risk registers for reporting to CMT and Audit Committee.</li> <li>• Identify areas of overlapping risk and help co-ordinate various risk management initiatives within the Council</li> </ul>

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## Appendix B

### Risk Management Implementation/Action Plan 2017/19

The action plan contains activity outside of the routine actions of monitoring and reporting outlined within the approved strategy.

Ref	Action	Estimated Timing (BY)
1	A review of process that underpins, streamlines and rationalises the strategy. Communicate changes in requirements to Management after approval at Risk Management Group and Corporate Management Team.	December 2017
2	A refresh of the guidance available to management to support the new Strategy.	December 2017
3	Identify gaps in training and awareness and propose a plan to reduce the gaps and increase skills and expertise.  Agree the future programme of training and awareness required and method of delivery.	December 2017
4	Review the role of Risk Management Group and propose updated terms of reference for approval at Corporate Management Team.	December 2017
5	Focus on the risks being identified as part of the Corporate and Service Planning Process and ensure effective incorporation into risk registers and the annual audit planning process.	March 2018
6	Update on progress to deliver the Strategy reported to Audit Committee	March 2018
7	Strategic Risk Register for 2018/19 presented to Cabinet, either independently or as part of the performance data reported.	April 2018
8	Assurances regarding Risk Management to the Audit Advisory Committee as part of the Internal Audit Annual Report and the Annual Governance Statement.	June 2018
9	Review of the Strategy and approval at Audit Committee.	March 2019

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ID1	Link to Brent 2020	Link to Borough Plan	Risk Description	Potential Impacts	Owner	Raw r	Raw I	Raw Risk Sc	Controls	Assurance	Net risk	Net lik	Net risk sco	Movement Indicato	Further Actions	Deadline	Responsible
SR1	Employment and skills – to respond to the increase in the working age population and lift people out of poverty and welfare dependency.	Better Lives	There are <b>insufficient or inappropriate employment opportunities</b> (because they do not have the right skills or ability to access) for residents of the Borough to enable the working population into work.	Increasing levels of poverty and deprivation across the borough. Widening in inequalities gap. Increase pressure on council and welfare services. Poor health and the resulting impact on life chances of children and their families. Higher unemployment and lack of those with the right skills to match the needs of businesses considering investing in the borough. Increase in numbers of young people not in education, employment or training	Strategic Director of Community and Wellbeing / Strategic Director of Children's Services	3	5	15	Employment Support & Welfare Reform reviews. Regeneration. Strategic Boards set up to address strategy in areas of Civic Enterprise and Business Development. 'The Living Room' initiative, Brent Works - apprenticeship support service.	Employment related KPIs - all ragged as amber as at May 2017. NEET KPI is Green others in the same sub set have no RAG in May 2017.	3	4	12	N/a			
SR2	Regeneration – to improve the economic, social and environmental conditions in the Borough.	Better Place	Our residents, staff or the visitors to the borough experience <b>harm or injury</b> , either immediate or longer term effect on their health and well-being.	Death or serious injury to residents/visitors / staff. Increase in litigation against the Council. Reputational damage; Severe financial penalties and government intervention.	CMT	6	4	24	Emergency Plans. Health & Safety Strategy. Compulsory Health & Safety training for staff. Insurance cover. Risk Assessment for all staff. Miscellaneous policies and procedures. Work place inspections. Enforcement Activity around Borough. Partnership with other agencies. Borough Plan. Healthy Lifestyles. Housing Strategy.	Health KPIs all ragged as Amber in May 2017. Cohesion indicators are amber, data is not available as at May 2017.	5	3	15	N/a			
SR3	Business and housing growth – to maximise the tax base to support the delivery of core services.	Better Lives	The <b>provision of business premises and housing</b> within the Borough does not meet the demands of current and potential residents and business owners.	Increasing numbers of people dependent on Council for housing and increase in homelessness and the resulting financial pressures on Council to provide temporary accommodation. Reduction in Council Tax and Business rates revenues.	Strategic Director Regeneration and Environment	5	5	25	Housing of Vulnerable People Review. Housing Strategy and related Policies. Regeneration Strategy. Local Plan.	Performance Reports / planning data. KPI data relating to new homes is not available as at May 2017. Gross ratable value.	5	3	15	N/a			
SR4	Demand management – to manage the pressure on needs-led budgets such as children's social care, adult social care and homelessness.	Better Lives	We are unable to contain <b>demand for our services</b> , particularly in the most challenging areas (1. Domestic Abuse, 2. Drug and Alcohol Addiction, 3. Mental Health) within the limits of funding available and encourage the community to seek to help themselves whilst tackling the most significant demand pressure areas	Mis-alignment between the needs of the community and Council services. Reputational damage. Increasing levels of crime. Health inequalities. With an aging population (and potentially more people with dementia) leading to increasing need for support or long term stay in hospital. Shortened life expectancy for residents. Health inequalities. Increasing levels of homelessness for those with alcohol/drug problems or MH	Strategic Director of Community and Wellbeing / Strategic Director of Children's Services	6	3	18	Review and redesign of services. Commissioning Activity. Partnership working.	KPIs around crime including domestic violence are ragged red as at May 2017.	5	2	10	N/a			

[illegible]

Topic / Date	30-Jun-16	22-Sep-16	11-Jan-17	20-Mar-17	26-Jun-17	20-Sep-17	10-Jan-18	20-Mar-18	Jun-18
<b>Internal Audit &amp; Investigations</b>									
Internal Audit Annual Report, including Annual Head of Audit Opinion					X				X
Review Internal Audit Charter				X				X	
Internal Audit Progress Report			X	X	X	X	X	X	X
Draft Internal Audit Strategy & Plan				X				X	
Draft Fraud Strategy & Plan				X				X	
Limited Assurance Reports				X	X	X	X	X	X
<b>External Audit (KPMG)</b>									
Report to those charge with Governance (Council and Pension Fund)									
Monitor Progress of Actions Arising from KPMG ISA 260 report (Council & Pension Fund)									
Agree annual External Audit Plan in respect of 2015/16 Accounts and associated Fees									
*External Audit progress report	x				x				x
*External Audit plan				X				x	
*KPMG - Certification of grants and returns									
*KPMG - terms of reference for audit cttee training									
*Statement of Accounts & External Auditor's Report		x				x			
*KPMG Annual Audit Letter									
*Strategic Audit Partner Procurement - Update									
*Information Commissioners Office Audit									
*Review of progress against previous KPMG recommendatins									
<b>Financial Reporting</b>									
Review Accounting Policies									
Consider Annual Financial Statements									
Quarterly Treasury Management Report									
Annual Treasury Management Report									
*Treasury Management Strategy & Annual Investment Strategy			x				x		
*Draft Statement of Accounts	x				x				x
*Mid-Year Treasury Management Report		x				x			
*Treasury Management Outtrun Report	x				x				x
*Account & Audit Regulations									
*Certifications of Grants and Returns									
*Investigation into Finance Services Centre Payment Processing									
<b>Governance</b>									
Receive and agree the Annual Governance Statement	x				x	X			x
<b>Risk Management</b>									
Risk Management Annual Review, including Risk Management Strategy							X		
Strategic Risk Register			X		X		X		X
<b>Other</b>									
Local Government Ombudsman Investigation		x		X					
<b>Audit Committee Effectiveness</b>									
Review Forward Plan									
Approve Terms of Reference, Quorum, Membership and Dates of Meetings (Annually)									
Carry out Self Assessment of Audit & Anti Fraud Arrangements									
Hold an Annual Private Meeting between Chair oif Audit and Head of Audit and Risk Management									

Determine and Deliver Training Requirements for Audit Committee Members as Required									
Role of the Audit Committee									